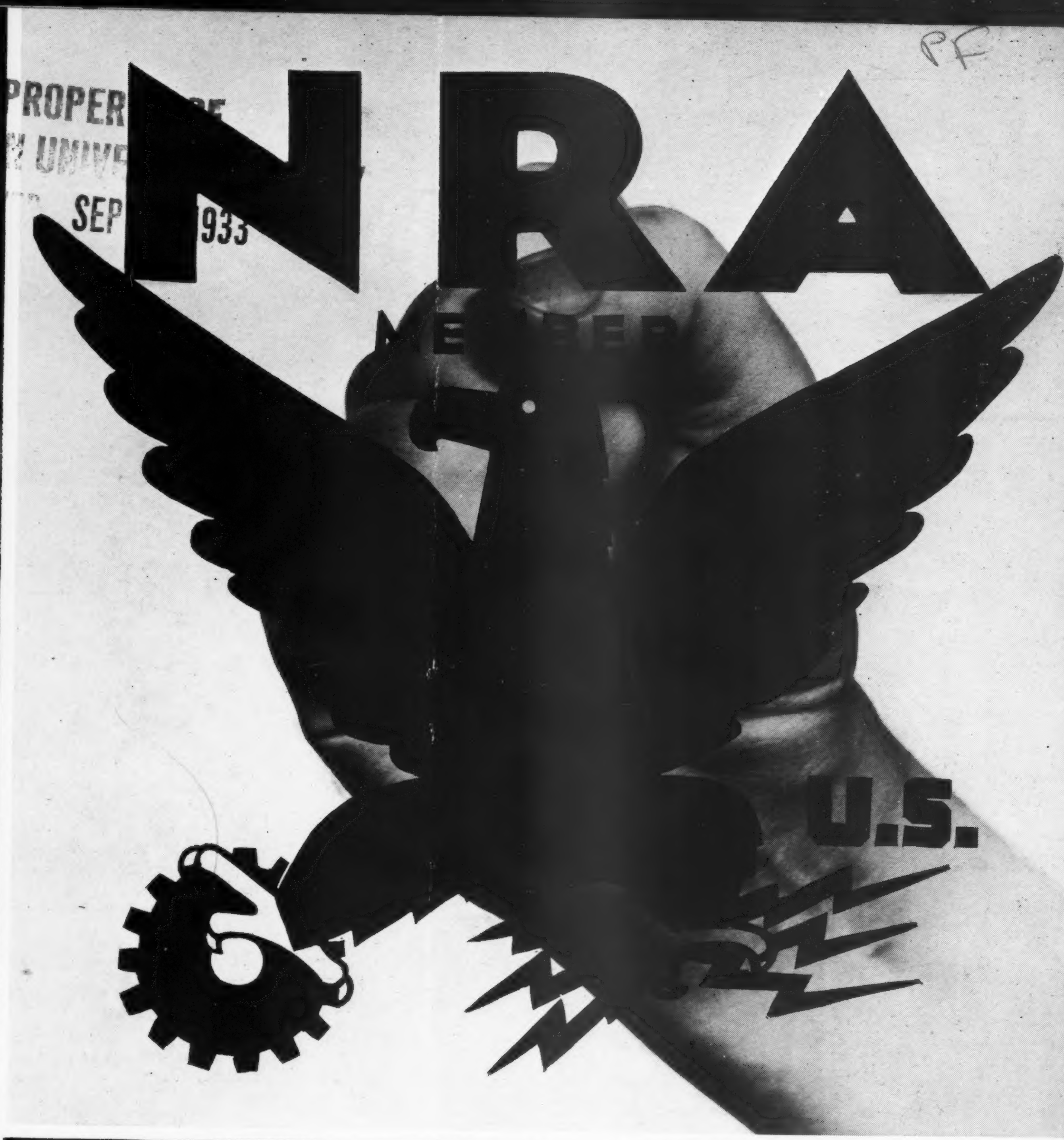


# CREDIT and FINANCIAL MANAGEMENT

Vol. 35, No. 9 SEPTEMBER, 1933 Established 1898

# *What will you get out of the "New Deal"*

One of the major objectives of the administration's "New Deal" is found in the National Recovery Act. It aims at a rehabilitation of purchasing power, which depends upon a nation-wide employment movement and an upward adjustment of wage scales.

From your desk you will see old accounts revived, new accounts solicited and a general speeding up of sales effort. It is at this point when the cards are still face down on the table that it would be wise to make haste slowly. Sales opportunities will be there in abundance and it will be up to you to decide whether to "Bid" or "Pass". A thorough knowledge of your customer's or prospect's current status and his character and credit record during recent years should prove of inestimable value in determining his desirability as a present or future customer. Hooper-Holmes Credit Reports give you the "informative bid" necessary to the intelligent play of your hand. It's your lead.

*The nation-wide facilities of The Hooper-Holmes Bureau are devoted to the compiling of Moral Hazard Inspection Reports for insurance underwriting, credit, commercial and employment purposes and Claim Reports. Address inquiries to 102 Maiden Lane, N. Y.*

## ★ THE HOOPER-HOLMES BUREAU, Inc. ★

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# First Principles

## In Credit Services

## No. 6

### THE COST OF CREDIT IS PAID OUT OF WHAT WOULD OTHERWISE BE NET PROFIT

Accepting the common figure of twenty-five cents as their unit cost, a series of five collection letters eat up all of a five per cent net profit on a \$25.00 sale.

If a \$100.00 claim is placed for suit, the average court cost advanced equals a five per cent net profit on the sale. If the claim is collected, the average fees paid eat up all of a five per cent net profit on sales totaling \$450.00.

If a \$100.00 claim cannot be collected and eventually becomes a charge to Bad Debts, it eats up all the five per cent net profit on sales totaling \$2,000.00.

The elements of risk and chance cannot be entirely eliminated from credit, and a certain amount of costs and losses must be expected. But would they not be materially reduced if the emphasis in credit work was placed on *investigation and prevention* rather than on *recovery and salvage?*

Consider for a moment. This is September. How many changes and developments there have been since January 1st. Yet, many orders are being passed today on the basis of financial statements as of that date, and on ledger experience information of about the same time. All too often a third-party opinion based on no better information than that is relied upon. Isn't it logical to say that is the cause of much of the costs and losses?

Then consider another method. What would be the result if orders were passed, collection letters written, and accounts placed for collection in accord with the actual up-to-date facts in each instance? Is it too much to say that collection letters written to fit the particular case would often prove more effective, that collections would often be made at an earlier date and with much less expense, and many worthless accounts with a resulting reduction in bad debt losses would be avoided?

Is it incorrect to say that a small amount expended for *impartial, up-to-date* facts covering a customer's buying and paying habits as they are portrayed in a Credit Interchange Report will often transfer the net profit on thousands of dollars of sales out of the "Cost of Credit" account back to the "Available for Dividends" account where it properly belongs?

●

## Credit Interchange Bureaus

## National Association of Credit Men

# Are You Sound Credit Timber?

**Big Business demands sound timber. Skilled "spotters" mark choice trees for market. The check mark means approval.**

**✓ Just as the suitability of finished timber reflects the quality of the tree, the caliber of the credit executive reflects the influence of his training. *Are you sound credit timber?* Will you be selected by big business? Today credit success depends more and more on a sound knowledge of the underlying principles of credit as a profession. The man who masters credit reaches the heart of successful business procedure.**

**✓ The National Institute of Credit offers you a training course that gives you a thorough background of credit principles and practice, and fits you for more efficient administration of credit department duties. No credit executive should be without this training which the Institute makes so easy for you to obtain.**

**✓ More than 30 years of credit experience have gone into the preparation of this course, directed and supervised by experts. Put your check mark on the coupon at right. Then clip and mail it to the National Institute of Credit, One Park Avenue, New York.**

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One Park Ave., New York.
You may send me special information about the course in "Credits and Collections."

*Name* ..............................

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*Street* ..............................

*Firm* ..............................

## CONTENTS FOR SEPTEMBER, 1933



### An Important History of N. A. C. M.

The National Association of Credit Men now has reached that important position which reflects much honor upon the men who pioneered its organization. No one man was more intimately and actively associated with those early events in N. A. C. M. history than J. H. Tregoe. From the date of the first national convention, and even before, until his retirement as Executive Manager in 1927, Mr. Tregoe was in active touch with all the affairs of the national association as well as the highlights of all of the affiliated organizations. So the Editors feel especially happy to present in this issue of CREDIT AND FINANCIAL MANAGEMENT the first of a series of articles on the "Traditions and Pioneers of N. A. C. M." by "J. H." Other chapters in Mr. Tregoe's history will appear in subsequent issues.


# CREDIT and FINANCIAL MANAGEMENT

CHESTER H. McCALL
*Editor and Publisher*

Volume XXXV Number 9

Paul Haase
*Managing Editor*

F. M. Ferguson
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# Wanted: a man

"WANTED: A man for a responsible position. The applicant must be one who has worked his way up from the ranks; he must be ingenious; a natural born worker; must be well-traveled; must possess a pleasing personality and be a man with wide experiences and contacts with people. He must appreciate the need and importance of public service. The educational value of this position can scarcely be appraised. It presents vast possibilities to the right man."

Had an advertisement of this kind appeared in a newspaper, it would present a position most difficult to fill. It is unusual to find a young man who can fulfill these broad requirements.

But such a position has just been filled. You may be surprised when I say that it is with regret that I give you this information, and at the same time am particularly glad to be able to do so. At first this may seem inconsistent, but after I have given you the facts, I know you will agree that it isn't.

When you have been associated for a number of years with a man whom you have come to admire and have witnessed his development and progress, it is only natural to regret the severance of this association. If you know that your associate is moving on into broader fields and answering a call to patriotic service, you are deeply pleased to know that such confidence has been reposed in him. And in the severance of an association of this kind, it is particularly gratifying to feel that there will remain ties of friendship and understanding that will be binding through your lifetime.

Chester H. McCall, for five and a half years associated with your organization, and during the past three years Editor of CREDIT AND FINANCIAL MANAGEMENT and Director of Public Relations, on September First takes an important position as secretary with the Honorable Daniel C. Roper, Secretary of Commerce.

Chester is a young man who measures up to the qualifications set forth in the advertisement which began this announcement. As I write, a panorama of his life passes in review through my mind. I see a young man who lived his early years in the Western country. I think of the hardships he endured in the formative days of his youth and how he literally fought his way to his present position of responsibility. I follow him in some of his early travels and eventually find him in New York City. Then I see his indomitable perseverance finally win for him succeeding positions of greater opportunity and responsibility. At no time did he fail to measure up to these responsibilities. Later, it was my pleasure to be associated with him. It was then I learned intimately the real story of his life and I could not help but have a deep admiration for what he had accomplished.

Chester McCall has a host of friends throughout our organization and I know he will make many new friends in Washington. Carrying with him, of course, our best wishes for success, we feel confident that he will measure up to his new duties and responsibilities. We shall miss him, but we shall feel happy to know that he will be doing a greater service in Washington and that we unselfishly yielded his services for the good of the general public.

For over three years this page has carried an editorial by Chester McCall. I was about to say that it hardly seems fitting that in his last issue as Editor of the magazine, an editorial does not appear on this page. But on second thought, may I say, "Could there be a better editorial than this announcement?"

Henry H. Heimann

# Getting behind the Recovery Program

## By Chester H. McCall

The "New Deal" Recovery Program is the most gigantic economic mechanism in world history. It has taken up more space in American newspapers than the World War. It comprises the greatest mobilization and concentration of leadership, financial resources and public opinion that man has ever witnessed. Since March 4th, 1933, there has been such a sudden and abrupt change in our economic system that the average citizen finds it difficult to get a clearly understandable and comprehensive picture of what is actually taking place in our country today. Even business men, who are more familiar with the functions of our economic system, seem unable to obtain a clear perspective of the vast scope of our National Recovery Drive.

Are we really experiencing the first stages of a national change from dominant and traditional individualism to a system of co-ordinated collectivism? Is the National Recovery Administration actually Federal socialism in the chrysalis? Are the American people facing the acceptance of a new order of economic and socialogical principles, concepts and philosophies? To what extent will the present New Deal program develop into a permanent business and industrial system? These are some of the major questions that millions of our people are asking every day.

In order to secure a satisfactory answer to these and other similar questions, it is necessary to analyze the National Recovery Drive from three angles. First, what are the major objectives of the Recovery Program? Second, what is the nature and scope of the vast organization through which the Recovery Program is working toward its objectives? Third, what dominant evolutionary changes are in process relative to our economic concepts of individualism, equality of opportunity, economic security and the distribution of wealth?

There are five major objectives behind the present economic program. Graphically, we might say that these five factors represent a closed fist that will deliver a knockout punch to old man depression. Comparing these five factors to the five digits of the hand, we have, first, beginning with the little finger, Stabilizing Employment; second, Balancing Production and Distribution; third, Equitable Distribution of Wealth; fourth, Long Range Economic Planning; and fifth, with the thumb, Immediate Economic Recovery. However, a knockout punch cannot be delivered with the open hand. It must be done with a closed fist. Therefore, we close down the four fingers of Stabilizing Employment; Balancing Production and Distribution; Equitable Distribution of Wealth and Long Range Economic Planning. The thumb of Immediate Economic Recovery, which completes the fist, is then drawn across the first two fingers and we are ready for the knockout punch.

The power behind this fist necessary to deliver the knockout blow is the full and complete cooperation of the American people from the highest business and government leaders down through every economic stratum. The Blue Eagle over the United States is a vital symbol calling our people to arms in this great economic war. With every business organization and every citizen displaying the Blue Eagle and adhering to the principles for which it stands, the knockout blow will be delivered swiftly and vigorously.

*This article is an analysis of the structural set-up of the complete National Recovery Program. It discusses the economic implications of the program and what its eventual consequences will probably be, particularly in relation to the status of the individual under the new order of things.*

The vast majority of our people are accepting with patriotic faith these new pledges and duties which they may not understand fully. But any permanent success that this program may achieve beyond the most pressing problem of immediate economic recovery will depend upon the American people's complete understanding of what this program is and what it is intended to do.

Before discussing the more abstract principles of individualism and new economic concepts and philosophies, it is well to consider the structural makeup of this National Economic Program. To achieve his broad and humane objectives, the President has mobilized eleven agencies and one super-agency to coordinate their activities and arbitrate their conflicts and difficulties. These eleven agencies are:

1. National Recovery Administration
2. The Emergency Public Works Administration
3. The Civilian Conservation Corps
4. The Federal Emergency Relief Administration
5. The Agricultural Adjustment Administration
6. The Emergency Railroad Transportation Administration
7. The Reconstruction Finance Corporation
8. The Federal Farm Credit Administration
9. The Federal Home Loan Bank Board
10. The Tennessee Valley Authority
11. The Arbitration Board to Settle Labor Disputes

These eleven agencies are working under the general co-ordinating jurisdiction of the National Industrial Recovery Council, which is composed of the members of the Cabinet, the Director of the Budget, and the Chief Administrators of each of the eleven previously named agencies.

An examination of the chart on page seven shows that the first five agencies are concerned particularly with immediate economic recovery. The other

# Organization of National Recovery Program

## PRESIDENT OF THE UNITED STATES

### National Industrial Recovery Council

This is the super-agency or co-ordinating council under which the eleven agencies given below are administered. It is composed of the Members of the Cabinet, the Director of the Budget, and the Administrators of each of the eleven agencies. The Executive Secretary of the Council is the chief co-ordinator of the entire program.

### 1. National Recovery Administration

This agency is in charge of codes under the National Industrial Recovery Act. The Industrial Recovery Board consists of the Secretary of Commerce, Attorney-General, Secretary of Agriculture, Secretary of Labor, Director of the Budget, Administrator of the NIRA and Chairman of the Federal Trade Commission. It has advisory boards for Labor, Industry and Consumers. Under the Chief Administrator are Deputy Administrators dealing with special industries or related groups of industries. The NRA also has legal, publicity and research divisions.

### 2. Emergency Public Works

Created to administer fund of $3,300,000,000 for public works program to stimulate employment, increase production and accelerate purchasing power. The Secretary of the Interior is the Public Works Administrator. It has legal, financial, engineering, housing and long-range planning board divisions.

### 3. Civilian Conservation Corps

Has mobilized 300,000 unemployed in forest conservation work. It is administered by a Director of Corps, who has an executive and administrative assistant. Its Advisory Council is composed of War Department representative, Director of Labor Department Employment Service, Chief of the Forest Service and Director of National Park Service.

### 4. Federal Emergency Relief

Created to administer $500,000,000 fund, half for grants and half for loans to states for unemployment relief. It is headed by a Federal Emergency Relief Administrator, under whom are an associate director, six field directors and state relief administrations.

### 5. Agricultural Adjustment

Created to increase agricultural prices and purchasing power through limitation of production, management of surpluses, etc. Headed by the Secretary of Agriculture under whom functions an administrator and co-administrator. It has production, processing and marketing, finance, information and publicity and trade agreements divisions.

### 6. Emergency Railroad Administration

Created to coordinate transportation systems through simplification, readjustment and reduction of costs. Headed by a Federal Co-ordinator of Transportation, under whom are three regional directors carrying through coordinating activities.

### 7. Reconstruction Finance Corporation

Carrying on work of financial rehabilitation through government loans to banks, insurance companies and other financial institutions. Administered by a Chairman of the Board and six board members, with Secretary of Treasury, director ex officio.

### 8. Federal Farm Credit Administration

Created to administer $200,000,000 emergency farm mortgage relief plan. Headed by Governor of Federal Farm Credit Association with three deputy governors and a general counsel.

### 9. Federal Home Loan Bank Board

Created to administer $2,000,000,000 fund for refinancing distressed mortgages on non-farm residences valued at $20,000 or less. Headed by Chairman of Board of Home Owners' Loan Corporation, a vice chairman and three additional board members. Under this Board comes the Administration of the twelve Home Loan Banks.

### 10. The Tennessee Valley Authority

Created to handle the Muscle Shoals-Tennessee Valley program. Headed by a Chairman and two Directors. Administrative organization and set-up is not completed.

### 11. Labor Arbitration Board

Created by the President to arbitrate disputes arising between employers and employees. The Arbitration Board is composed of a Chairman and representatives from both Labor and Industry.

agencies, however, are of the utmost significance to the immediate problem but their special functions give them a long term significance as well.

The National Recovery Administration, under General Johnson, is in charge of business codes. The first objective of the N.R.A. is the launching of a blanket offensive on all fronts against the depression enemy. The major objective is to establish maximum hours and minimum wages in order to increase wages, put more men back to work and bring about an immediate acceleration in purchasing power.

The prime purpose of the Emergency Public Works Administration is to stimulate production and employment through a quickly inaugurated public works program. Even though this administration includes a long range planning board, its most important function is to put men to work simultanneously with the up-turn in employment created by the National Recovery Administratiton.

The Civilian Conservation Corps is also a temporary expedient designed to create employment that will help alleviate present suffering while at the same time producing long range benefits for our country.

The Federal Emergency Relief Administration might be called the "ambulance agency" of the economic program. Its functions are to handle the most critical and needful cases of unemployment that exist throughout the country. Like the Civilian Conservation Corps, it is only temporary in its present form and is clearly an emergency rather than a long term agency.

The first job of the Agricultural Adjustment Administration is to increase farm prices and lift farm purchasing power to parallel the increase of prices and purchasing power of business and industry. In this case also we find the major emphasis placed upon an immediate solution to the problems of our depressed agricultural population. However, there are many features of the act which will no doubt become permanently regulatory.

The Emergency Railroad Transportation Administration is undertaking the gigantic task of simplifying, readjusting, and reducing the costs of the nation's transportation units. It faces the difficult job of re-organizing railroads and cutting their expenses without reducing the number or earnings of employees. The carriers of the nation have for several years faced a most acute financial problem and only a national co-ordination and rehabilitation of our transportation units will save many of them from bankruptcy and resulting hardships to millions of our people. As the emergency measures prove effective, they will no doubt become embodied in a permanent regulatory code designed to prevent a recurrence of the condition in which railroads find themselves today.

The Reconstruction Finance Corporation which was formed during the Hoover administration, continues as a lending agency to aid banks, insurance companies, railroads, and other financial institutions. Its original authority for making loans to self-liquidating projects such as bridges, housing, park developments and slum clearance has been transferred to the Emergency Public Works Administration. As it stands today, the R. F. C. is a "banker to bankers" and it is conducted wholly on a basis of amortization within a reasonable length of time.

The Federal Farm Credit Administration, which has taken over many of the function of the Federal Farm Board, and also other farm credit agencies, administers the $200,000,000 Emergency Farm Relief program. Its job is to maintain an equitable financial balance and evolve a stable financial structure for the two billion dollars of farm mortgages in the United States.

The Federal Home Loan Bank Board, as its name implies, is to bring relief to home owners who have been unable to carry their mortgages as a result of the business depression. It is authorized to administer a two billion dollar fund for the re-financing of distressed mortgages on non-farm residences valued at $20,000 or less.

The Tennessee Valley Authority is responsible for handling the vast Muscle Shoals-Tennessee Valley development. It is distinctly not a temporary expedient. It does place the government in business. Its ultimate objective is to create "an empire within an empire." The extent to which the government may participate in business in the future will depend largely upon the success or failure of this great experiment. Now is certainly not the time to discuss the pros. and cons. of the Tennessee Valley Authority and its future effect upon the government in business.

The last and most recently created agency is the Arbitration Board to settle the disputes between employees and employers. The initiation of the blanket code throughout the country, with its maximum hours and minimum wages, brought in its wake a number of serious strikes which, if allowed to continue, would have paralyzed important units of our economic system.

In those industries where codes were not immediately adopted, employees felt that there was a discrimination against them and strikes ensued. This Arbitration Board, however, has made it possible to settle strikes until there can be a fair and complete hearing among all industries. It is indispensable as a safety valve.

Structurally, the Economic Recovery Program is set up in most instances so that its mandatory features, when urgent necessity has passed, may become regulatory.

The immediate "job of creating jobs" is the keynote of the Economic Recovery Program. The following figures taken from the census reports and representing the year 1930 show that in that year about 34.4% of the entire population was employed.

| | |
|---|---|
| Agriculture | 10,471,998 |
| Forestry and fishing | 250,469 |
| Extraction of minerals | 984,323 |
| Manufacturing and mechanical industries | 14,110,650 |
| Transportation and comimunication | 3,843,147 |
| Trade | 6,081,467 |
| Public service (not elsewhere classified) | 856,205 |
| Professional service | 3,253,884 |
| Domestic and personal service | 4,952,451 |
| Clerical occupations | 4,025,324 |
| Total | 48,829,920 |

It has been variously estimated that there were approximately three-and-a-half-million unemployed in 1930. In March 1933 the unemployment peak, according to the American Federation of Labor, was 13,359,000. When President Roosevelt signed the National Industrial Recovery Act he said "The law I have just signed was passed to put people back to work".

It is an accepted economic principle that a resumption of buying must precede a resumption of employment. Under the N.R.A. this principle has been reversed and the present plan is to bring about a revival of buying through a revival in employment. The Civilian Conservation Corps has put approximately 300,000 men back to work. At the end of July, President Green of the American Federation of Labor estimated that over 1,500,000 persons had gone

back to work between March and the first of June. As these people resume work and begin buying once more production is increased, more employment becomes available which, in turn, increases purchasing power, and through this cumulative process business is rapidly accelerated.

But back of these immediate acts is the greater scope and greater promise of a planned economy that will flatten out the peaks in the business curve. One of the chief elements in this larger picture is the Business Advisory and Planning Council appointed by the Secretary of Commerce. This is a Committee of outstanding business leaders under which a long range planning program for American business will be prepared. Mr. Gerard Swope is Chairman of the Executive Committee of the Business Advisory and Planning Council, and Mr. H. H. Heimann is Secretary of this Committee.

It is essential, as all phases of the N.R.A. are initiated, to be guided not alone by the immediate problems but also by a consideration of what the probable future effects of immediate acts will be. It is in this capacity that the Business Advisory and Planning Council has been functioning. Its next problem is the formulation of a definite business program over a long period of years, and in the prospects this program there is a great deal to encourage every citizen of our country.

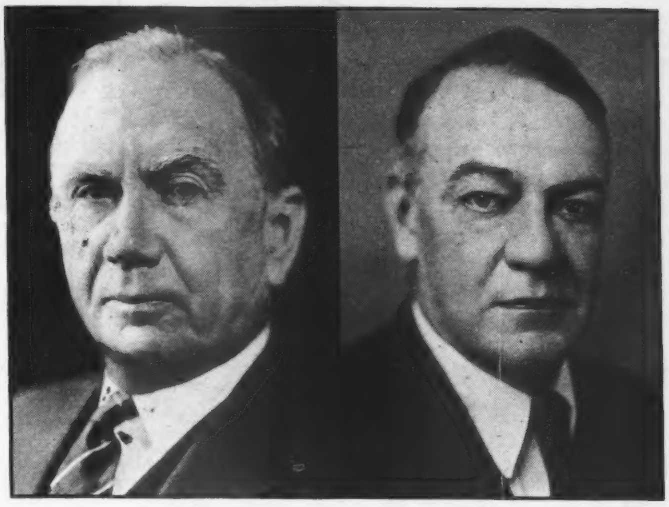
As this vast economic program is moving rapidly ahead, every person naturally asks how this new order of things is going to affect him as an individual. Although comparatively little emphasis has been placed on this fact, it is indisputable that one of the underlying objectives of the entire economic program is a redistribution of wealth. The phrase "redistribution of wealth" scares a great many people and is interpreted by many as a leading tenet of socialism.

The fundamental purpose of an equitable distribution of wealth is to bring greater opportunity and economic security for the mass of American people. The "New Deal" guarantees rather than lessens the opportunity for the individual to progress and utilize his initiative and abilities to the fullest extent. In order to guarantee any permanent form of economic stability incomes must be greatly increased in the lower and middle brackets and greatly lowered in the higher brackets. One billion dollars of income spread among fifty thousand people is ten thousand times as valuable to our economic system as the same amount spread among one thousand people. Distribution of income means a distribution of purchasing power. It keeps dollars moving in the stream of turnover instead of freezing in a reservoir of excessive fixed investments.

In getting behind the National Recovery Program we find the promise of greater opportunities for work and accomplishments for the masses of our people. There is a definite reasonable and living wage below which workers cannot be paid. A business unit has a social responsibility as wel as a profit-making responsibility. This concept is inherent in the New Deal program and its acceptance by business men will dignify their positions. The president of a large, privately owned corporation will become more professionalized. There will be a clearer recognition of him as a public servant.

Profit making alone will not become the dominant objective. The business executive who keeps a maximum number of people employed at a maximum income will deservedly receive the highest approbation from his fellow men and correspondingly the largest

(Cont. on page 33)



HON. DANIEL C. ROPER, Secretary of Commerce, and Chairman of Industrial Recovery Program.

GEN. HUGH JOHNSON, Administrator of National Recovery Program.

WALTER C. TEAGLE, Standard Oil Co. (N. J.), Chairman Industrial Advisory Board.

GERARD SWOPE, General Electric Co., Chairman Executive Council, Business Advisory and Planning Group.

HENRY H. HEIMANN, Executive Manager, Natl. Association of Credit Men, Secretary Executive Council Business Advisory and Planning Group.

HON. HENRY A. WALLACE, Secretary of Agriculture, Chairman Agricultural Adjustment Administration.

# Three Problems of National

## 1 Financial

**credit**
**currency**

## 2 Psychological

**confidence**
**action**

**By Dr. Glenn Frank**

We are in very much the position of the woodsman obliged to journey by canoe down a river rendered dangerous by a succession of difficult rapids that must be shot before he can land in calmer water below. The economic river down which the nation must now be piloted has many rapids in its course. And, in consequence, it presents two problems to the statesman-navigator, viz.:

The first, the immediate, problem is to help the nation shoot these rapids successfully and to get as quickly as possible into calmer economic water.

The larger task, the task that will test our capacity for statesmanship and call for the best we can muster of mind and moral courage, is the task of removing the menace of the rapids from the course of the economic river for the future.

In shooting the rapids immediately before us, we may have to resort to not a little of emergency politics and emergency economics. The nation has been passing through the valley of the shadow of economic death. We dare not neglect the patient perfection of long-time policies. We must not permit the fears and hysterias generated in this phase of profound depression to lead us now into political, social, and economic policies that may plague us for a generation to come. But we are in a phase of national emergency in which long-time planning alone is not enough. We must evolve and execute emergency policies rooted in the twin soils of sanity and courage.

We must not be afraid of intelligently formulated emergency politics and emergency economics. And emergencies may justify measures for the moment that could not be justified as long-time policies. It is of critical importance of course to keep the distinction clear between quack remedies and soundly conceived emergency measures.

Broadly considered, national economic recovery seems to me to involve three intimately interlocked problems: (1) the *financial* problem of credit and currency, (2) the *psychological* problem of confidence, and (3) the *economic* problem of effective enterprise. I want now to consider, in turn, the nature and inter-relation of these three problems.

*The financial problem of credit and currency.* One of the cornerstones of a sound national life is a stable credit and currency system. The stability of a credit and currency system is not necessarily assured by the preservation of the gold standard and a standing pat on traditional credit policy. To be truly stable, a credit and currency system must be marked by three things: (1) it must be ***quantitatively adequate***, (2) it must be ***technically sensitive***, and (3) it must be ***socially responsible***.


*"We cannot ballyhoo ourselves back to prosperity"*

If, at any time, the volume of credit and currency is inadequate to finance the volume of business waiting to be done, the stability of the credit and currency system is threatened.

If, at any time, credit and currency lag in responding or fail to respond to the changing needs of the nation's enterprise, the stability of the credit and currency system is threatened.

If, at any time, credit and currency are diverted into anti-social channels, as in the late orgy of speculation, the stability of the credit and currency system is threatened.

An economic system that is developing and expanding swiftly must be served by a credit and currency system capable of developing and expanding at a comparable rate. Otherwise the health of the economic system is undermined and its growth impeded. For some three hundred years the problem of keeping the expansion of credit and currency decently in step with the expansion of economic enterprise has been eased by the fact of periodic discoveries of new supplies of such monetary metals as gold and silver which provided the credit and currency system with the necessary margin for expansion. But in this age of vast enterprise, complex relationships, and swift tempo we cannot trust solely to the accident of discovery. In the future, as the new needs of this new age of science and the machine necessitate any marked expansion of credit and currency, we shall have to find that expansion in what we think and do about our credit and currency system. The statesman's intelligence must take up the job where the miner's pick leaves it.

But whenever statesmanship sets out to deal with the credit and currency system it is obligated to play for three results: (1) *quantitative adequacy*, (2) *technical sensitivity*, and (3) *social responsibility*.

It is with the first essential of a stable credit and currency system that I want to deal more directly, namely, its quantitative adequacy, for it is upon the assumption that we are now facing an adequate supply of credit and currency that most of the current propo-

# Business Recovery

## 3 Economics

### foreign
### domestic

## President University of Wisconsin

sals for monetary reform are based.

We are not, in my judgment, suffering from a shortage either of credit or of currency. By which I mean that, quantitatively considered, there is now in the United States plenty of credit and plenty of currency to finance and facilitate a sweeping economic revival, if other factors, psychological and economic, made such revival feasible. It is not a shortage either of credit or of currency from which we are suffering, but a shortage of borrowers willing to borrow and of lenders willing to lend under existing circumstances. If we could thaw out the frozen confidence alike of borrower and of lender, the flow of credit and currency would quickly fertilize the field of national enterprise.

I am aware, of course, that all of the money that is *technically* in circulation is not *actually* in circulation, in the sense of being used in day-to-day business transactions, but may be hoarded, and thus sterilized as far as any effect on the price level is concerned. But whatever part of the money technically in circulation has been sterilized by hoarding has been sterilized, not because of any shortage of currency, but because the hoarders have lacked that confidence in the economic situation that would normally thrust their money into actual circulation.

It seems to me an inescapable fact that the volume of money in *active* circulation is more dependent upon the volume of business than the volume of business is dependent upon the volume of money in *technical* circulation.

About the only ways in which fresh supplies of currency can be got into the hands of the unemployed or of those whose purchasing power has drastically declined are through doles, direct loans, and public works. I believe the federal government has a very real responsibility for relief to the unemployed. I am glad to see proposed a statesmanlike reconsideration of the lending program of the federal government that will point this lending program in the direction of subsidizing obsolete organization and incompetent management and more in the direction of priming the pump of productive enterprise. And I am convinced that a wisely planned and properly financed program of public works has a very real role to play in national recovery. But, unless and until popular confidence in the economic future is restored, any currency forced out through even these valid channels of relief, federal loans, and public works will take its one whirl of spending and then find its way into and freeze in the banks, in socks, and behind loose bricks in the chimney until a restoration of confidence sets it active again.

All of which leads me to this position respecting the problem of credit and currency: I do not regard the credit and currency system as sacrosanct, as something statesmanship must approach with hushed voice and cushioned footstep. The credit and currency system is, as I suggested earlier, not an idol to be worshipped, but simply a tool with which to get the nation's work done. If a quantitative inadequacy of credit and currency clearly existed, I should not shudder at the suggestion of currency readjustment and credit reform. Just because an inadequately planned and ineffectively controlled inflation has, here and there, left nations with a sick headache is no reason why realistic statesmanship cannot, through sound planning and strong control, adjust the nature of its credit and currency system to the needs of its economic system. But I do not believe there is any inadequacy either of credit or of currency in the United States to-day. There is a vast amount of inactive credit and sterilized currency, but the thing that has paralized this credit and sterilized this currency is the epidemic of fear respecting the economic future.

The most important step towards national recovery is not, therefore, in my judgment, inflation of the currency but restoration of the national confidence. And this leads me to the second of the three major problems underlying national recovery.

*The psychological problem of confidence.* I have called the problem of confidence a psychological problem, but it is not a problem that can be solved by psychological treatment. Confidence in the economic future cannot be restored by mere cheer-leading tactics on the part of presidents, congressmen and captains of industry. And President

"If we could thaw out the frozen confidence alike of the borrower and the lender the flow of credit and currency would quickly fertilize the field of national enterprise."

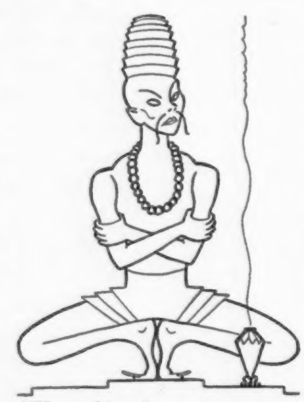
Roosevelt has been the first to recognize this when he said to the nation "We cannot ballyhoo ourselves back to prosperity." Confidence has been lost because certain very real obstacles have been permitted to block the path to effective enterprise. Confidence will return when these obstacles to enterprise have been removed. And not until then! Which leads me to the third of the three major problems underlying national recovery.

*The economic problem of effective enterprise.* The task of restoring effective enterprise is a task that will take statesmen to every sector of the political, social, and economic fronts. Manifestly I could not, even if I were qualified, survey, within the time-limits of this article, all these sectors. I choose, therefore for a summary discussion two fields in which, it seems to me, we may most seriously hinder or most successfully hasten national recovery; (1) the field of foreign relations, and (2) the field of domestic industry. Let me discuss, with such brevity and directness as I can command, these two fields in turn.

I turn first to the field of foreign relations. I am convinced that a realistic foreign policy is of crucial importance to the restoration of our domestic well-being. Regardless of the intelligence we bring to our domestic difficulties, our domestic program will, in my judgment, end in futility unless we bring a bold and realistic spirit to bear upon the present unrealistic foreign policy of the United States.

One stubborn notion has stood in the background of our tariff, debt, and foreign policies, namely, the notion that the United States can, if necessary, operate a satisfactory economic life apart from the rest of the world. I challenge that notion. It is true that we have within our borders most, but by no means all, of the essentials of economic life, but this does not make us a self-contained nation, for the simple reason that, wisely or unwisely, on the foundations of our admittedly magnificent resources, we have so organized, so capitalized, and so set the production programs of most of our major industries that these industries cannot produce successfully for our domestic market unless concurrently they can sell successfully in foreign markets such surplus as they are geared to produce.

It may be said that this can hardly be true when, from 1900 to our peak year of 1929, we never sold abroad more than about 10 per cent of our total production. Some put it around 6 per cent as an average. But unless we burrow under these production and export totals and break them down into their several elements, we do not get a true picture. It is true that for the last thirty-years, through all the rise and fall of foreign trade, our exports have held about the same relation—6 to 10 per cent—to our total production. Now if it were true that every American product found 90 per cent of its market in the United States, we could build a wall around ourselves, let the rest of the world stew in its own juice, and build within our own borders a satisfactory and viable economic life. But this is not the case.



*"The credit and currency system is not an idol to be worshiped, but simply a tool with which to get the nation's work done."*

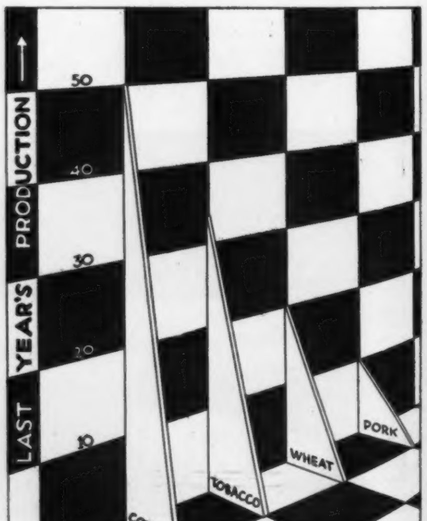
In 1929, more than 54 per cent of American cotton was sold abroad; more than 41 per cent of American leaf tobacco; nearly 40 per cent of American kerosene; over 40 per cent of American typewriters; about 36 per cent of American copper; nearly 34 per cent of American lard; about 31 per cent of American lubricating oil; over 29 per cent of American printing machinery; about 28 per cent of American sewing machines, and more than 23 per cent of American farm machinery was sold abroad. These do suggest, I submit, that a drop in our foreign trade is made up of many impacts that are far more serious than a 10 per cent aggregate of our total production would suggest.

The fact is that we are seriously dependent upon world markets, and, because of this fact, two courses are clearly open to us: (1) we can play for a general reopening of world markets by sponsoring—in the fields of tariffs, war debts, and foreign relations generally—whatever policies may be necessary to stimulate a world-wide interchange of goods and services, or (2) we must, if we do not follow this first course, frankly dismantle such parts of our industrial and agricultural enterprise as produce surpluses in excess of domestic demand. We should, I suggest, think twice before we take the second course, for such dismantling—make no mistake—will mean far more than a simple mathematical reduction of the scale of American enterprise. It will mean drastic and radical readjustments in the organization, the capitalization, and the operation of our major industries and of our farms, and will inevitably involve a serious slump in the American standard of living.

I turn first to the issue of tariffs. In this problem, we are challenged to relate American policy to world facts and world forces. Whether we are Republicans or Democrats, it must be obvious to most of us by now that the current orgy of high tariffs throughout the world, for which we are by no means guiltless, is one of the major factors now freezing the fountains of economic enterprise throughout the world. And I say this, gentlemen, not as a free trade Democrat, but as a Republican who is convinced that free trade *is* wild, but that protective tariffs have run wild and are to-day out of all rational relation to the economic functioning of the modern world.

There is, I suggest, one test that every American tariff proposal should pass before being accepted, namely, *Does it, along with related foreign policies, tend to build up the buying power of the rest of the world?* It is a truism that it is to the selfish interest of the American manufacturer to establish wage, hour, and price policies that will build buying power among American workers who are industry's customers as well as its servants. In like manner, it is to the

*"Last year the productive capacity in excess of domestic demand, in four leading branches of agriculture stood: Cotton, 50 per cent in excess of domestic demand; wheat 20 per cent; tobacco 35 per cent; pork products, 10 per cent."*



# Smash the business rackets!

by H. E. CHASMAR,
**General Service Manager, Fraud Prevention Dep't., N. A. C. M.**

Indications are that the Eighteenth Amendment will be repealed within the near future. The question has been asked what will become of the gangster and the bootlegger, who as a result of repeal will be deprived of rich sources of revenue. Some of our citizens are so blind to the real condition that they have stated the repeal of the Eighteenth Amendment will cause hordes of the underworld to seek honest labor. That they will have to do or starve.

United States Attorney Howard W. Alemi stated that according to a recent report of the New York State Crime Commission racketeering costs this country from twelve to eighteen billion dollars annually.

It is inconceivable that rum runners and allied racketeers will give up their illegal sources of income, and the best evidence of this is the kidnapping wave that has swept the country since the return of legalized beer. This is but the beginning, and a survey made by the United Press showed that racketeers and crime syndicates are launching a wide-spread offensive to "grab" a share of the returning profits of business. It is estimated that business crime in this country reaches the staggering amount of four billion dollars annually.

During the past eight years the Fraud Prevention Department of the National Association with its force of experienced investigators, many of whom were former agents for the United States Department of Justice and the Post Office Department has waged a vigorous fight against the ever-present commercial crime menace, and in co-operation with the State and Federal prosecuting authorities has had convicted, upon evidence gathered by the Fraud Prevention Department, 1448 commercial crooks.

As a result of the Department's work millions of dollars have been returned to the business interests of the country and the Association's members have been able to sidestep many operations of commercial crime syndicates due to the deterrent influence of organized resistence.

Crime is the strongest organization in this country today, and with merchandise racketeering increasing, the business executives of our nation's commerce must take steps to protect their interests or buying power will be destroyed and sorely needed profits reduced.

One has but to turn to the morning newspaper to read of the grip that the racketeers and gangsters have on this country's commerce. It is only recently that racketeering has been shown in its true light and become important enough to gain the attention of every law-abiding citizen. The rackets as conducted formerly planned for the control of an industry.

The indifferent and complacent attitude which was one of the causes for the gigantic growth of racketeering in this country must be replaced with a fearless determination to not alone suppress commercial crime but to take the racketeer who preys upon legitimate business and through vigorous prosecution and heavy penalties blast his operations.

The lines are now drawn for a finished fight between the forces of legitimate business and the merchandise crime syndicates, and never before in the history of the National Association of Credit Men has there been such an opportunity to render service to the business interests of the country as there is today.

Recognizing the definite need at this time for the launching of a powerful counter attack, the Association's commercial crime forces have swung into action and are concentrating their activities in those sections where commercial crime is most prevalent.

Many merchandise racketeers previously convicted on evidence gathered by the Fraud Prevention Department have resumed operations and the success of the Association's (*Continued on p.* 34)

***Our Cute Little Kitty Grows Up***


—From *The Philadelphia Inquirer.*

# Does bankruptcy law fail?

**Authority with 20 years experience as a Federal referee in bankruptcy declares that only through a new Federal law providing for out-of-court adjustment of embarrassed debtors' affairs may we hope for a real improvement in our present situation which nets an average of but five per cent in bankruptcy court dividends.**

**by Judge A. B. KREFT, of San Francisco**

**For 20 Years Referee in Bankruptcy**

Under the constitutional power of Congress to enact uniform laws on "the subject of bankruptcies", there are two distinct periods to be covered, which periods can be properly covered only by separate treatment and by separate acts of the Congress.

The first period extends from the time the debtor is insolvent in fact or has committed an act of bankruptcy and the time when his affairs are placed under court protection, by bankruptcy proceedings or otherwise.

The second period commences with the filing of a petition in bankruptcy by or against the debtor.

To business men, recourse to the bankruptcy court is class disgrace. We hoped to off-set this feeling under the amendments of 1933 by designating the applicant as a debtor and not a bankrupt, where he seeks to make a composition or obtain an extension. That the amendments will fail to accomplish this object is already manifest. The court remains a bankrupt court, laboring under the stigma of disgrace attached to that court, ages old.

The combined committees at work on proposed amendments to the Act to be introduced at the next session of Congress have issued their third tentative draft. The National Association of Credit Men has taken a leading part in this work. Many of the proposed amendments are excellent, but the Act will remain little more than salvage law. That forum will not, and can not be made acceptable to the merchant who hopes that he will be able to weather the storm. He will not voluntarily resort thereto, and will continue to sustain unnecessary losses in his endeavors to avoid that court.

The writer is advocating the enactment by Congress of laws along the line of what in England are known as "deeds of arrangement" laws, which are laws providing for out-of-court adjustment of the affairs of embarrassed debtors by agreement between the debtor and his creditors, the agreement being made binding on all unsecured creditors, if approved by the majority in number and amount of unsecured creditors, without court proceedings.

The writer was referee in bankruptcy at San Francisco, giving all his time to that office for a period of twenty years. Out of that experience, and a study of the constitutional questions involved, and in the hope that he may be able to make some suggestions which will prove helpful and constructive, he has concluded to set forth his major deductions and conclusions on the subject, and his reasons therefor.

Judge A. B. KREFT, San Francisco. "More than 5,000 failures have come before the writer, and his sympathies have been more often with the debtors than with the creditors."

(1) That the investigations made by Solicitor General Thacher and subsequent investigations made by various committees have shown that the debtor's estate is wasted before bankruptcy proceedings are taken in nearly ninety per cent of cases investigated.

These investigations have demonstrated that our real bankruptcy problem is to reach and prevent, so far as possible, losses occurring before the debtor is brought or comes to court or discloses his condition to his creditors. In other words, our major problem is not what goes on inside but outside the bankrupt court.

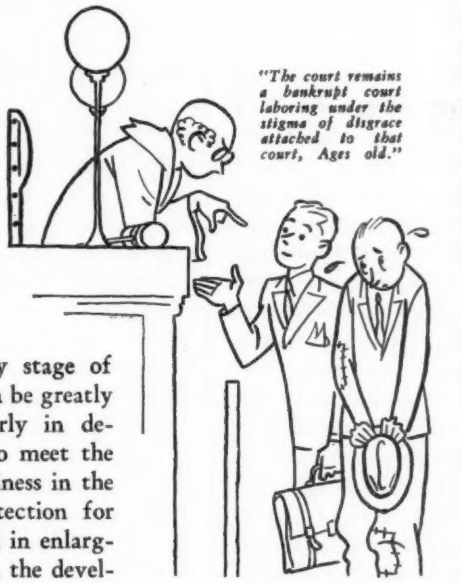
(2) That these losses cannot be reached by any amendment to the present Act, which requires that debtors must come into the Bankruptcy Court for relief.

(3) That the recent amendments to the Act concerning extensions and compositions, and designating the petitioner as a debtor, instead of a bankrupt, will fail to achieve their purpose, and that this is already becoming manifest.

(4) That the losses referred to can only be reached by the enactment of a composition and arrangement law apart from the Bankruptcy Act, under which compositions, extensions and other adjustments of debtors' affairs, can be made without court proceedings, but providing for court proceedings to pro-

tect the interests of the minority against abuses.

Laws providing for adjustment of debtors' affairs without court proceedings are new to us, but not new to other countries. England has had such laws in some form for a century, and most continental nations in Europe have debtors arrangement laws to prevent bankruptcy proceedings. Such composition and arrangement laws, although in existence in some form for a considerable period, are still in an early stage of development and can be greatly improved, particularly in designing such laws to meet the requirements of business in the United States. Protection for credit will be found in enlarging the scope and in the development of that system.



*"The court remains a bankrupt court laboring under the stigma of disgrace attached to that court, Ages old."*

It is a truism that there can be no adequate protection for creditors until there is adequate protection for the debtor. The debtor in the United States is not afforded adequate protection when in need of an adjustment of his affairs generally. This is due to our national policy of noninterference with the remedies of creditors in enforcement of their claims, although it may be known that the debtor is unable to meet his obligations generally as they fall due, or even known to be insolvent as defined by the Bankruptcy Act. Our laws have always favored the so called diligent creditor, which in such situations usually is the ruthless creditor. The operation of this policy is disastrous to creditors as a body when the debtor is in either condition stated. The condition is greatly aggravated by our attachment system.

Having no law legalizing the acts of the majority in interest, when assembled with the debtor to consider his affairs, one hundred per cent concurrence is necessary to effect an out of court adjustment. Confronted with the situation that they must obtain one hundred per cent concurrence, debtors, through fear of suit and of attachment, sacrifice their assets in order to meet pressing demands.

This frequently drives theretofore honest men to do dishonorable things. They are left to choose between concealment of their condition or an appeal to the Bankruptcy Court. They usually choose concealment.

To a debtor once started upon a course of concealment, accompanied by sacrifices of assets, acting in the belief that he will be able to pull through, it is but a step, when he realizes that he cannot pull through, to a course of living on creditors property as long as he can keep up the concealment, and a continuance of asset sacrifice, usually accompanied by preferences, and not infrequent fraudulent transfers.

The result is an average of five per cent in dividends to creditors when he finally reaches the Bankruptcy Court, as against many cases under assignments for benefit of creditors through our national trade organizations, of thirty per cent. Such is the operation of a system that fails to protect the debtor during the period he needs protection.

The course of development of our business system has brought about conditions where distribution, heretofore the main end of bankruptcy laws, must give way to the conception that the main objective of bankruptcy legislation is the protection of credit between the time the debtor is insolvent or has committed an act of bankruptcy, and the time he makes an adjustment with the creditors or comes to court. This period is the disaster period of our mercantile affairs.


*"The debtor's estate is wasted before bankruptcy proceedings are taken in nearly 90 per cent of cases investigated."*

The four billion dollars (plus) loss in the last five years shown by bankruptcy statistics is startling, to which must be added exceedingly heavy losses on liquidations outside of court. The recent investigations on the subject of bankruptcy are bringing this situation home to the mercantile world.

We have called a "new deal" in our economic affairs; we must also call a "new deal" in our credit protection affairs. This new deal will be founded upon the proposition that when a condition of insolvency exists the property of the debtor is then held by him in trust for his creditors, and that the interest of creditors are in proportion to their respective claims. The new deal will make provisions for protection of the debtor, so that it will be to his interest to give timely notice to his creditors when embarrassed.

We have developed a mercantile system under which the property held on credit even in normal times usually exceeds in value the merchant's own investment. It is frequently to the interest of creditors, for the protection of their investment, to take measures to carry their debtor over a period of depression. The new deal will recognize this condition, and when the value of assets is less than the amount of indebtedness will recognize the fact that the business then belongs to the creditors in common, and will provide means that the creditor owners can direct or liquidate that business according to the wishes of the majority in interest, *with aid of court only when the majority in interest are unable to agree.* That is the way we conduct our other affairs of associate ownership.

Creditors should be empowered by majority vote in interest to borrow on the assets without court proceedings when necessary for their preservation or the conducting of the business, which is the only practical method of raising fresh capital for an embarrassed business. Millions of frozen credit capital can be released for this purpose, removing the obstruction so that the stream may resume its normal course.

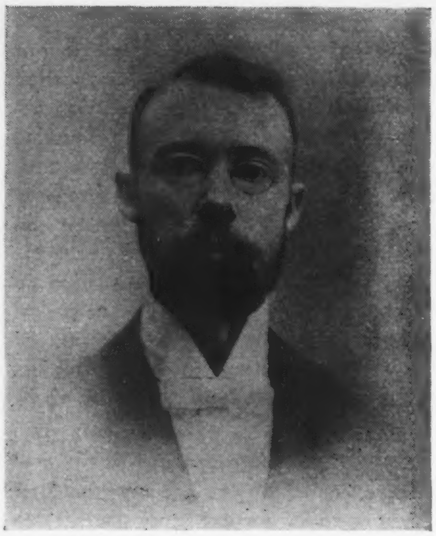
Where no free assets remain and with the merchant's credit dried up, if we want to continue (*Continued on page* 18)

# Traditions and

## By J. H. TREGOE, one

*Listed among the founders of the N. A. C. M. in 1896 and Executive Manager for fifteen years from 1912 to 1927, Mr. Tregoe is qualified as is no other N. A. C. M. pioneer to present the story of the Association which he starts in this issue and continues in subsequent numbers.*

*Credit Manager at 25, Association officer and manager, investment banker, and college professor—these are some of the positions he has held in his interesting career and they stamp him as the one man to record the importance of the N. A. C. M., its work, and its workers.*



WILLIAM H. PRESTON, Sioux City, Iowa, who was first president of N. A. C. M., 1896 and 1897.

M. E. BANNIN, New York, who served as the first vice-president in 1896.

When an organization is passing into its fourth decade there are historic and human events in its early years and in the causes that brought it about that should be made of permanent record to illuminate the inquiries of the new generation.

We have had economic histories of our nation and financial histories, but no human histories as related to the development and spread of our commerce. Nothing really happens. Institutions that bear the impress of age and usefulness have roots digging deep, as a rule, into human causes and this is particularly true of the National Association of Credit Men. Our present generation finds it difficult to realize that the preeminence of our industrial and financial positions was of recent birth; that through decades we struggled against severe odds to build up a commerce that would give to the people a proper living and a worthy ambition.

It usually happens in the affairs of people, whether they are social or economic, that for a long time handicaps are endured and then through some revelation, or may we say revolution, there dawns the realization of better things to be achieved. We can reflect with considerable interest over the events of the 80's. I designate it as a decade of "growing pains." As a people we began to take on considerable stature in this decade, and yet we were without the rules and the principles that would make the development orderly and permanent. Overstrain with our economic resources and the speculative mania that has always distinguished the American people brought about the ups and the downs that economists designate as the business cycle. These curves in the affairs of our commerce reflect merely the eventualities of bad practices in using our resources and in the using of an element the significance of which had not yet broken upon the business public—credit.

In the early 90's we moved more rapidly than our resources justified. We suffered from economic astigmatism. We became a nation of egoists and as the natural laws in the business world are just as inexorable as the natural laws in the spiritual world, the curtain fell upon this period of over-exhilaration and we registered in 1893 one of the most disastrous depressions that ever came upon the business and the affairs generally of our people. The deflation was exceedingly severe. Commercial failures in 1893 and in the aftermath of 1894 were the largest numerically and in liabilities that had ever fallen upon the nation's economic wealth. The people were stunned. They were unaware of what had brought about such a disastrous change in the economic scene and yet in the light of later history and observation, it is perfectly well known that 1893 brought to an end an intoxication and a sordid imagination that penetrated the very vitals of our wealth and paralyzed the efforts and outlook of the nation.

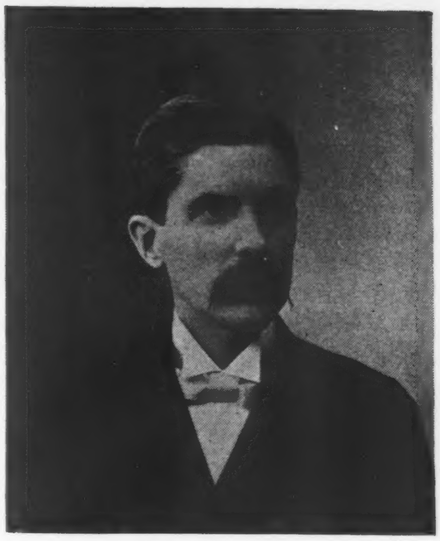
We must observe and carry clearly in mind that the distinguishing trait of American business up to this period was individualism. The productiveness and the harmony of the working together were unrecognized. The people strove for these and in their strife battled one another to a finish that was disastrous for all. We cannot look back upon this period of our commercial history without realizing that the human factor was too little appraised, that the helplessness of the individual at his very best was too little understood, and that only as people work together for the common objective can the highest things in life and in business be eventually attained.

The manager of credits in the present day cannot understand the motives that guided the credit managers in the days preceding the birth of the National Association of Credit Men. The chemistry of credit was not understood nor was the type of management that would bring the best results to a credit circulation. There had to be a real conversion in the situation. There have been in our history several revelations that changed the hearts and the tendencies of men, and I cannot term the change that happened to the managers of credit other than a conversion of almost providential significance.

In the midst of the flurries and the

# Pioneers of NACM

## of Founders and for 15 years Executive Manager



T. HOMER GREEN, Sioux City, Ia., who was first treasurer of N. A. C. M., serving from 1896 to 1901.

FREDERICK R. BOOCOCK, New York, who served as first permanent secretary in 1896.

terrors of 1893 there occurred an event of paramount value in resurrecting the morale of our people—the Exposition at Chicago. At this exposition various conferences were held and among them a Congress of Credit, Collections and Failures. In this congress there was a germ of a great movement and we look upon it as the seed which later eventuated into an organization of great importance to the country's economic welfare. The congress was presided over by Mr. P. R. Earling, of L. Coulor Company, Chicago. The name is not known in credit circles today and after doing his little bit at this congress Mr. Earling appears to have passed from the credit picture.

The credit disorder of 1893 must have made the attendants at this congress most receptive to the recovery idea. We possess no record of all that was said and done at this congress but there was sufficient undoubtedly to arouse enthusiasm in the minds of some and antecedent to the congress there must have been circulating through the country some exchange of ideas as to the needs of an organized movement for the proper control of credit.

Mr. W. H. Preston, then a resident of Sioux City, Iowa and a credit manager, had shown an interest in the subject, and he was invited to address the congress. Mr. Preston was unable to attend but his address was read. We have no record of it but we do know that Mr. Preston became intimately identified with a national idea and with the organization movement of 1896.

An enterprising journalist attended the congress and he conceived the idea of promoting Mr. Preston's recommendation for the organization of a National Association of Credit Managers. In various cities the representatives of this journal, "The Lawyer and Credit Man" sounded out credit department managers and there appeared in its columns from time to time very interesting responses and ideas. One can realize that the conversion was on its way, and from time to time convictions were expressed that plainly indicated how thoroughly unsystematized the credit control was in those days. One manager said, "The credit man's liver is usually the barometer of credit giving". Another aptly said, "He who is in business to ruin a neighbor or get even is sure to fail". These expressions were not exceptional; they reflected the convictions of a large segment of the credit fraternity but the deeply imbedded individualism was difficult to overcome and a great deal of tunneling had to be done before there was a getting together for an organized movement. A small group of credit managers met in Chicago. A letter from Mr. Preston urging a National movement was presented but nothing definite happened. Associated with Mr. Preston in credit work at Sioux City, Iowa was Mr. T. H. Greene, also a convert to a national movement, and a strong ally of Mr. Preston in urging upon credit managers the merits and the profits of working together. A credit bureau was established under the inspiration of these two gentlemen in the Chamber of Commerce at Sioux City but the honor of the initial organization of credit managers goes to New York City where on January 16, 1896 an association of credit men was determined upon and started its career with 62 members. A gentleman of very lovable qualities, Mr. M. A. Bannin, of Converse, Stanton & Co., New York, was elected President of the Association and later he became the first Vice-President of the National Association. The New York movement gave an impetus to the organization movement and on March 10, 1896 an association was organized in New Orleans and of which a distinguished merchant of that city, Mr. H. F. Gilean, was elected president.

Later, associations were organized at Minneapolis and St. Louis. The conversion was now fully on its way. The follies of individualism were beginning to be recognized. The subtle as well as the important qualities of credit were coming into appreciation and the nation stood at the threshold of a movement that has meant more than it will ever understand to its industrial and financial development. Credit was at the threshold of becoming the real currency of the nation, its real buying power, and these uses of credit were not attainable except by a whole-hearted co-operation between those who gave and received credit.

Co-incident with the organization of the several local associations of credit men a very enterprising credit manager in Toledo, O. G. McMechen, conceived the idea of having a convention called for the purpose of considering a National Association of Credit Men. In this venture he enlisted the interest of the Toledo Chamber of Commerce and an invitation was extended by the Chamber to all of the important Chambers of the nation inviting them to send representatives to the first National Convention called (*Continued on page 35*)

# Does bankruptcy law fail?

(*Continued from page 15*)

him in business we must use our joint credit capital invested in his business. Today this frozen credit capital runs into hundreds of millions. Creditors' authorization for its use must be put in a form acceptable to banks. Speed is a most important element. It is a matter of legal mechanics to enable its use. All that is required to bring these things about is a law to legalize the acts of the majority in interest when lawfully assembled and directing the procedure to be followed. Our *liassez faire* system during the period the heavy losses occur does not work.

In connection with the procedure to be followed under such a proposed law, Congress should create an adjustment bureau to be administered by the Department of Commerce, to which, *when creditors are unable to agree*, they can refer the matter, and to which department debtors may voluntarily resort.

Referring briefly to the operation of the dual system under the English Deeds of Arrangement Act and their Bankruptcy Act, both of 1914, ninety per cent of their bankruptcy cases are commercial. Of these debtors less than ten per cent obtain discharges outright, many are denied and more suspended for various periods, generally subject to specified payments out of future earning. This is severe, but there is a reason. Discharge is denied if "the bankrupt's assets are not of the value equal to ten shillings in the pound (fifty per cent) on the amount of his unsecured liabilities", unless he satisfies the court that such condition "has arisen from circumstances for which he cannot justly be held responsible."

He is considered morally culpable if he fails to timely disclose his condition to his creditors, and either makes an adjustment or effects an agreement with creditors under the "Deeds of Arrangement Act", under which, by majority vote in number and amount, he can, without court proceedings, do the following things:

1. Make an assignment for benefit of creditors.
2. Make a composition.
3. Give a deed of inspectorship for the carrying on or winding up of his business.
4. Issue a letter of license under which he, or any other person, is to carry on, realize, or dispose of his business with the view of paying debts.
5. Make any agreement or instrument entered into for such last stated purposes, which includes extensions.

Where the deed of arrangement names a trustee he must submit his accounts for audit to the Board of Trade, (roughly corresponding to our Department of Commerce) as trustees in bankruptcy are also required to do. When the debtor is unable to obtain consent to the arrangement by majority of creditors within the twenty-one day period fixed by the law, he may apply to the bankruptcy court for an extension of time.

Such laws have never been considered by, or even proposed to Congress, so far as the writer knows. Why? The answer is because the nation has not looked to Congress for credit protection, and has not studied the subject from that standpoint.

The fact that in England less than ten per cent of bankrupts obtain discharges outright indicates that honest merchants do avail themselves of the protection of the deeds of arrangement

*"We must protect our common debtor in order to protect our common credit."*

law, either directly by recording such deed under the law, or indirectly by effecting adjustments without recordation. Thus we see that in England the bankruptcy forum is mainly concerned with the affairs of those who have wilfully wasted their assets, and crooks. It has been and still is their policy to make bankruptcy proceedings as disagreeable as possible to the debtor.

When *we* properly protect the honest debtor, we will also be in a position to effectively legislate against the dishonest and criminal debtor, and can adopt the English policy of drastic provisions against discharge and severe penalties for misuse by the debtor of his property after he knows he is in a state of bankruptcy. The unscrupulous and criminal debtor we will have with us always. He can be repressed, and returns in dividends increased, only by stringent discharge and penal provisions.

The even increasing number of creditors organizations, among which the National Association of Credit Men is outstanding, and the many associations in specific trade lines, all showing a desire for closer cooperation to further their common end, the protection of credit, is our national reaction to a condition of law that utterly fails to safeguard the nation's credit affairs. They are rendering constantly increasing valuable services as to credit risks in the inception, and information furnished thereafter by them is also invaluable as to continuing risks; but when endangered, protection to the body of creditors must come from the law. A race for preferences then amongst their members weakens their structure. This race inside and outside of organizations, with the debtor fighting like a wild animal at bay, is disastrous. No wonder he destroys his lair. That is why we must protect our common debtor in order to protect our common credit.

More than five thousand failures have come before the writer, and, excepting the unscrupulous and crooks, his sympathies have been more often with the debtor than with the creditors. While at the same time recognizing that the law does not effectively protect the creditors against each other and that it is a case of self-preservation with them as well. Perhaps this explains the large percentage of discharges here as compared with England.

Our credit organization forms a strong background for an effective system of credit protection. Their adjustment departments can function but feebly under the existing law requiring one hundred per cent concurrence to the making of an adjustment. Great delays are caused by endeavors to bring minorities into accord. Often special consideration, even preferential treatment, is given to particular creditors. Many a bitter pill is swallowed at our creditors' meetings because of unreasonable demands of minority creditors, or even a single creditor with an axe to grind. We can make no progress until this condition is removed.

The remedy for these conditions will be found in a Federal debtor's arrangement law, legalizing and making binding on the debtor and (*Continued on p. 35*)

# Third annual Credit Congress records Group advances

## By PHILIP J. GRAY, Director, Credit Congress of Industry

The Third Credit Congress of Industry, feature of the Thirty-Eighth Annual Convention of the National Association of Credit Men, held in Milwaukee in June, marked the climax of the Association's Credit Group activities for the year. Thirty Industry Credit Groups, representing practically as many fields of business, exceeded in attendance all previous Credit Congresses, a fact significant of the growing realization among members of the value of Credit Groups, both locally and nationally in successful credit management.

Under the auspices of the National Association of Credit Men, there are now operating successfully, both Nationally and throughout the local affiliated Associations, well over 400 Credit Groups, with a membership of approximately 7000. In the Credit Congress, all these Groups in a common or related industry have an opportunity to get together to pool their ideas and to discuss and study collectively their common interests.

Co-operation and coordination were the watchwords of the Third Credit Congress. While each Group Chairman had arranged a thoroughly individual and specialized program to cover the outstanding and important aspects of the credit administration in his Group sphere, it was also evident that the Group programs appreciated and emphasized the necessity of greater contact and co-operation with related industries, as well as within their own particular industry. It appeared to be fully realized that no industry can endure credit isolation, and that no matter how well its credits are organized within itself, it must be on a parity in procedure and practice with related industries. Standardization of credit practice throughout all industries was given much consideration, and as a natural corollary, a common medium through which to co-operate was self-evident.

It is safe to say that in the thirty Group programs no subject of importance was neglected, many of the Group meetings continuing long past the set adjournment time so that all the discussions scheduled might be completed. The Industrial Recovery Act had a place on every program and with only one or two exceptions, all the Groups passed resolutions endorsing the Credit Code suggestions of the National Association of Credit Men and recommended that the National take an active and vigorous part in the preparation of codes for Trade Associations, particularly on those points involving any aspect of credit policy or administration. Much favorable discussion and study took place on the subjects of Credit Interchange, Adjustment and Collection services, Fraud Prevention, the revision of the Federal Bankruptcy Act, further development of Group values, and other Association activities.

**Exit isolation!**

**"No industry can endure credit isolation! No matter how well its credits are organized within itself, it must be on a parity in procedure and practice with related industries."**

Because of the important part that proper credit practice would naturally play in Industrial Recovery, there was a planfulness in each Group's deliberations, realizing the important responsibilities of the Credit Group, not only as a governing body of credit interests of the industry, but as a necessary service supplement to the general services of the National Association of Credit Men. Throughout the National Association, there is being developed continually a greater co-ordination of kindred Groups so that each Group of a particular industry will have closer and more effective co-ordination with the similar Groups and all important centers.

Looking ahead to the Fourth Credit Congress of Industry, several suggestions were made in Milwaukee that deserve serious consideration. The first of these was that wherever possible the Credit Group Meeting in 1934 should elect a Chairman for the meeting at the Credit Congress of Industry in 1935. This was advocated to make possible a consistent all-year-round promotion of the Credit Group with a consequent stimulation of interest among all the members as well as to give the Chairman more time in which to canvass the field and to prepare the program for the annual meeting. It would seem that this suggestion should be adopted wherever practicable, with the proviso that a Vice-Chairman either be elected at the same time or selected by the Chairman in the event that the Chairman found it impossible to preside when the Credit Congress of Industry next convened. It was felt that a higher degree of interest could be maintained in this manner and that greater co-operation and contact would be achieved and that a much firmer nationalization of the local Credit Groups would result therefrom. It was also advocated that an effort be made to broaden the discussions of Credit Groups and to devote more time hereafter to the major necessities that might involve attention over a period of year, rather than to strive to cover a multiplicity of lesser problems at a single meeting.

To the casual observer, Group Sessions may occasionally seem aimless or lacking in substantial worth, but to those who have watched the long pull, and have studied carefully the accumulated results of Credit Group activity and of previous Credit Congresses, it is obvious that Group activities have contributed their full share to credit progress. The Group history of the National Association of Credit Men, carefully read and justly weighed, show accomplishments that otherwise could not have been attained. In practically no Group organization is there lacking the record of improved credit conditions, decreased receivables, less bad debt losses, more net profit, and greater fairness to creditor and debtor alike.

# credit approach

## A "sellers' market" is evolving today . . . now the credit executive can insist that terms be honored, discount dates met, unprofitable accounts dropped. Profits, not sales, count in the end

by CLARENCE B. WILBER, Treasurer,
Moore & Fisher, Inc., New York

Producers and distributors of commodities and merchandise, for the first time in four long years, find themselves entering into that phase of the business cycle known as a "seller's market."

Only a few short weeks ago salesmen were cooling their heels in outer offices in the hopes that the all-powerful personage within—the buyer—might condescend, figuratively speaking to throw them a bone. Overnight the situation changed. Buyers and purchasing agents awoke to find that there was a shortage of goods. Prices were going up. Manufacturers began to talk about allotting their products. The impossible had happened—the seller's market was here!

The *new deal* in business opens up a remarkable opportunity for the credit executive. He, perhaps more than any one else, has been alive to the irregularities and unfair buying practices which the depression had forced upon many manufacturing and commercial concerns.

Today he can become a dominant factor in wiping out these abuses and stopping up the rat-hole through which many a dainty morsel of discount or dating disappeared.

It was only logical that, during the prolonged industrial crisis from which we now appear to be emerging, much pressure should have been put upon those executives entrusted with the granting of credit and the collection of accounts to let down the bars. The depression marked the rise of the "chiseler". The New Deal will, I think, unceremoniously hustle him into oblivion together with the worst of his unethical practices.

Often in spite of the better judgment of credit departments, risks were accepted, unfair discounts permitted and customers were allowed extra dating beyond all reason simply because the credit man knew that the buyer could obtain all this and perhaps more from the competitor across the street.

Today the situation is reversed. Business has apparently come to the conclusion that the only way to stay in business is to sell at a profit. The government has promised to help business puts its house in order and undoubtedly the measures and codes now being formulated and studied will accomplish much. In the meantime the individual credit executive can seize the psychological advantage which the new phase of the economic cycle—call it the New Deal if you prefer—offers him.

He can, for example, scrutinize his accounts more carefully than heretofore and see to it that the individual risk is in keeping with the credit policy as determined upon by himself or his superiors.

He can insist that the discount taken by the buyer be the discount agreed upon at the time of the sale.

He can, thru the co-operation of his sales department, carefully note those buyers making claims which are, or border upon, the unreasonable so that the account which habitually follows such a policy can be closed or sold only for cash.

He can insist that the terms of sale *be the terms of sale* and turn a deaf ear to the buyer who unfailingly demands an extra thirty or sixty days.

He can see to it that the unprofitable account is dropped from the books. It is profits, not sales, which count in the final analysis.

There is nothing new in these little suggestions of mine. During the past four years every competent credit executive and good business man has wished again and again that he might faithfully practice them.

* * *

In line with the general subject of a new approach to the important subject of credit management as a factor in the great national, business recovery program, the Baltimore Association of Credit Men, through its board of directors, issued an important message to its membership on August 21, declaring that only through credit literacy and intelligent control of credit can business hope to "pull itself out of the mud." The text of the declaration, which was inspired by the nestor of credit men—J. H. Tregoe—is as follows:

A concentration of effort for industrial recovery and economic improvement is entering in wages and hours of labor as leverages for lifting and distributing buying power.

In the courageous attack of our President, unique in the Country's history, on unemployment and the widespread economic distress, that challenges the goodwill and cooperation of the people, there must be held closely in mind this fact, that the permanence and value of an improved buying ability through a larger and better distributed income, will rest upon the intelligence and prudence with which this purchasing power is used.

We must remind ourselves that in this commercial age, credit has become the medium most extensively used for the purchasing of goods and the satisfying of individual needs; and as our decline was primarily occasioned by the mis-using of this medium, so the restoration of prosperity will lack the enduring qualities, unless the users of credit, from the least to the greatest, carefully weigh their credit ability and see that it is intelligently used and honestly controlled.

With these pressing convictions the Officers and Directors of the Baltimore Association of Credit Men, sincerely urge that side by side with the interest aroused for the building of buying power there may be aroused also an earnest desire to understand the real nature of credit as a buying medium, and so use it that goods and loans will flow smoothly and constructively.

# Urge change in

**Loss of accounts because of too strict credit supervision and undue caution has destroyed many an otherwise good business enterprise. If all facts were known, there would be fewer failures.**

by I. J. GALE, Credit Manager,
Rice-Stix Dry Goods Co., St. Louis, Mo.

After the many credit problems we have had during the past few years, we need to rebuild our confidence in the future of our customers. I believe we should all reconstruct our ideas as to credit granting.

In dealing with the subject I naturally refer to my own experience and that of other credit men in the same line of business. I hope my ideas will prove of interest to all credit grantors.

Failures have been more numerous and more costly during the past few years. R. G. Dun & Company reported recently that commercial failures in the United States and Canada increased from 23,842 in 1928 to 31,822 in 1932. Total liabilities of these failures increased from about 489 million dollars in 1928 to about 928 million dollars in 1932. This tremendous increase, coupled with each credit man's own unfavorable experiences, had a telling effect on the credit fraternity. It brought about extreme caution in credit giving and with it a tremendous loss in sales. Decreased sales led to curtailment of expenses and this brought the volume of business down further until operations became unprofitable.

The average credit man tightened up. He took on only preferred risks. He made special efforts to liquidate those of his accounts that appeared weak and that he thought couldn't survive the depression. He believed the day of reckoning had come and that it was the survival of the fittest. His boast was "I got out of that one",—not mentioning the many others that he got out of that didn't go broke. He was panicky! Very little criticism was attached to his policy of deflation. His vision was blinded by the depression and he certainly was not functioning properly.

The credit man with broader vision took advantage of the depression to build sound, loyal accounts. His cool, experienced judgment made him realize that while the failures in 1932 numbered 31,822, this was only 1 and ½% of the total number of commercial firms and there were still 98½% left and most of these were in good financial condition. He got the facts and carefully analyzed each and every one of his accounts. The so-called "weak sisters" that could be salvaged, he did his part and more to make sound, by pursuing a wise credit policy. He guided and helped them through, and these are now paying good dividends to his firm in an increased volume of profitable business. Of course, this required time, careful study and an expert knowledge of his customers' businesses; but it was worth it. Many needed extensions of time; others merely advice as to expense budgeting; while still others had to get help in refinancing their businesses. Many were saved just because some credit man helped them plan along proper and constructive lines.

Profitable sales increasing in volume yearly make for the success of a business. Reasonable credit losses are expected and do not hinder the progress of such firm. However, when sales drop and keep on dropping then the reasonable credit losses become unreasonable as there are no profits to absorb them.

Loss of accounts because of stricter credit supervision and undue caution has destroyed many an otherwise good business enterprise. If credit men, before turning down an account, would assemble all the facts and figures and analyze them thoroughly, there would be fewer failures and more profitable customers. If a credit man would consider each customer as an asset of his business,—an investment having a certain value depending on the volume of business obtained, and whether profitable or not, and the expected volume that can be gotten from that customer in the future, he would make greater efforts to keep and develop that account. Each account has a value the same as Bond of some business enterprise, and while temporarily there may be question as to its worth, every effort should be made to obtain dividends from it, even if this requires a little of your time and a small additional investment of money. It costs hundreds of dollars to develop an account and every time one is lost, that might have been retained, there is corresponding loss in the worth of your firm.

Every credit man should keep a record of his turndowns and check up on these once a year for a period of two or three years to find out in a general way, if he saved money for his firm by the turndown or if he lost his firm a desirable account that might have developed as a large user of merchandise.

The successful credit manager of today is an optimist,—not a pessimist. His optimism, however, is not based merely on the present trend of business, inflation or reflation whatever we may call it, but on expert knowledge of his customers' businesses. He grants more liberal lines of credits, not only because general business conditions have improved, but because he knows that his customers and his firm will obtain mutual benefits by this freer circulation of credit.

I believe the depression is over. A new era is dawning on us—an era of reconstruction — leading towards normalcy. Let's take stock—inventory our accounts, estimate their worth in future business expected and lead them and ourselves forward towards a safer and brighter future.

# thermometer:

## financial trends and indications

An average of $257 of cash income over cash expenses is revealed by the annual survey of the Bureau of Agricultural Economics for the year 1932 for 6,383 farmers, who operate their own farm, reporting in this survey, the U. S. Department of Agriculture announced August 11. From this amount farmers have to pay living expenses and interest charges, it is pointed out.

Sales of products averaged $1,104 and cash outlays for farm expenses averaged $757; farmers used food which they produced worth on the average $161 at farm prices.

The balance of receipts over expenses was the lowest in 11 years during which these reports of representative farmers have been compiled. Compared with $257 last year, farmers received $458 in 1931, $1,090 in 1928, and $1,097 in 1929.

These average figures should not be used as applying to all farmers.

Total cash income to farmers in 1932 is estimated by the Bureau of Agricultural Economics, as $4,199,447,000. This compares with slightly less than seven billion dollars in 1931 and an average of about eleven and one half billion dollars yearly during the decade prior to 1931.

Milk was the most important cash crop—with an income nearly double cattle and calves, the second best.

* * *

An editorial in the *Herald-Tribune* of New York gives the following interesting side light in the agreement reached late in August in London by representatives of 23 countries to curtail wheat production:

"The principal features of the wheat agreement are three: The exporting countries contract to reduce either their acreage or their exports 15 per cent during 1934-'35, compared with an allocation worked out for the present year. The importing countries, on their part, agree not to encourage the expansion of their own production beyond the present rates, and they agree further that, once prices have been maintained for four months at a given minimum level, they will begin to readjust their tariffs downward. The international price thus agreed upon is 63.08 cents a bushel, gold, or about 91 cents at current dollar exchange quotations.

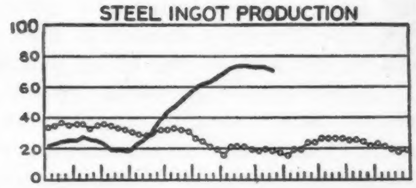
"That there are very real difficulties in the way of carrying such a scheme to a successful conclusion is evident—and to none, apparently more than to the signatories. But few will question the fact that of the two courses open the happier one has been chosen. For the alternative to a world agreement was a continuance of world economic warfare on this important front, with the exporting countries undercutting each other in the world markets and with the importers retaliating through higher and higher tariffs or smaller and smaller quotas. A continuance on that course could have meant but one end: ruinous competition and price chaos."

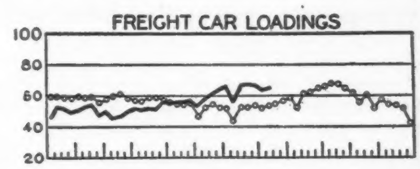
* * *

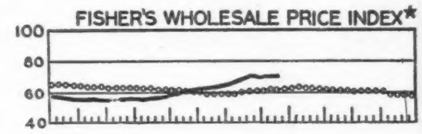
Under the heading, "Credit Conditions," the monthly statistical survey of the Bureau of Business Research at the University of Buffalo paints this picture of the situation in that portion of the great lakes area:

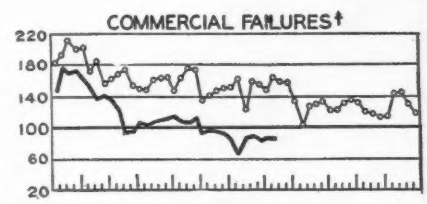
"Credit conditions were very favorable this month. The liabilities of business failures dropped 89% since June, 1933, and 95% compared with July, 1932, to a total of $70,290, representing the smallest liabilities in any single month since September, 1929. The steady decline in bank loans since July, 1931, was halted this month with a 2% gain. Bank deposits likewise increased, but by less than 2% resulting in a slight rise in the ratio of bank loans to deposits from 69.1% at the end of June to 69.5% at the end of July. The ratio of overdue to outstanding accounts of 22 wholesale concerns in the Buffalo area increased slightly during the month, but made a very favorable decline since last year due to a 17% gain in outstanding accounts and a 13% reduction in past due accounts."

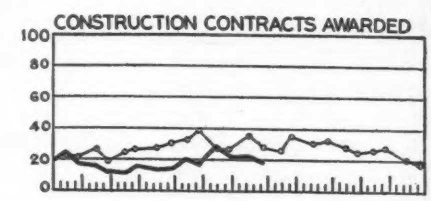
## Commercial



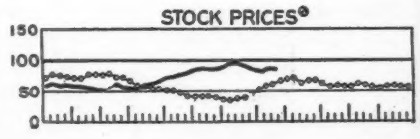



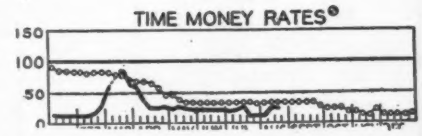



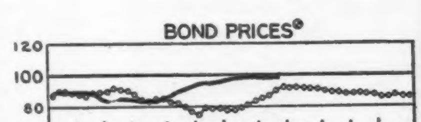



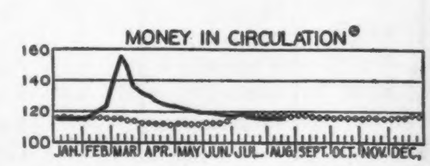




## Financial



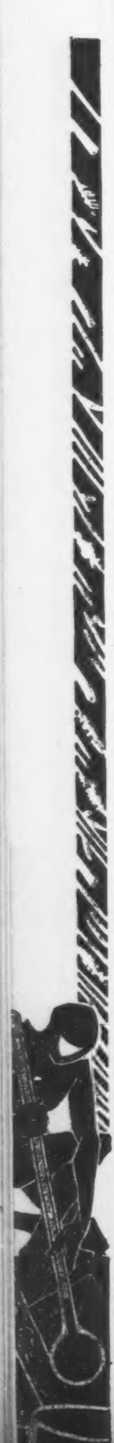




# The business

## a compilation of business and



### Weather chart of trade

Aviators, about to start on cross continent or ocean jaunts, make close studies of the weather charts. They know from experience what to expect from the conditions they find in the reports from various sections along their proposed routes. So we must turn to the business thermometer to read the indications as recorded in various lines and thus obtain the information upon which to decide our business plans.

AGRICULTURAL PRICE LIFT: During the past seven months there has been an increase by fifty percent in the prices paid to farmers for their products, according to records compiled by the United States Department of Agriculture. When we realize that we have approximately 6,000,000 farms under cultivation in the United States and that slightly less than one-third of our 125,000,000 inhabitants depend upon their farms, we realize how much this lift in farm prices means to business.

CAR LOADINGS: The American Railway Association reports for the week ending August 5 show an increase of 116,468 revenue cars of freight over the corresponding weeks of 1932. This figure, a total of 613,112 revenue cars, was below the total for the previous week, the decrease being 25,284 cars. How the consistent increases in revenue freight for the past few months has stepped up the net earning figures of the rail lines, also is an interesting indication of the progress of business. In January of this year the net income for the railways was reported at about $12,000,000. In May this year the net income had advanced to about $48,000,000.

BUILDING OPERATIONS: Records on building permits as reported by various agencies indicate that July, the last month covered in most reports, registered a considerable gain over July last year. There was, however, a slump in July, '33, building permit totals over those of June for this year, but most of this difference between June and July was shown in New York city. For the country as a whole with the New York figures omitted, July shows a 5 percent increase over June.

AUTOMOBILE PRODUCTION: The National Automobile Chamber of Commerce announced on August 9 that July output of members of the Chamber recorded a 204 percent gain over July of 1932 and that the production for the first seven months of 1933 passed the entire production for the year 1932. As the membership of the National Automobile Chamber of Commerce includes all large producers with the exception of the Ford company, the above figures are indicative of a decided progress in this industry over last year.

SECURITY PRICES: The daily averages of 50 leading stocks as compiled by the New York Times as published on August 24 showed a gain of about 20 points from the extreme lows which went down to about 77 on about July 22. By August 24 the index was back to 91 as against a high of 98 reported just after July 4th. On the same day, August 24th, rates on five and six months time loans eased to 1 and $1\frac{1}{4}$ percent.

### Comments on Business Situation

Russell Owen, writing in the *New York Times* gives a very interesting review of the reasons for the National Industrial Recovery program in the following paragraph:

"What is the basic reason for all this minute preparation, the enlisting of an army of workers to drum up a sense of national responsibility? It lies in the lagging figures of retail sales, in the inability of a nation containing millions of unemployed to buy the products of factories and so pass on to other workers pay envelopes which contain the nourishment of industry. Even now, with an encouraging increase in employment, it is evident that industry is not absorbing workers as fast as it should. Payrolls, for instance, show a rate of increase between production and employment. That means that though business has begun to revive there has been no immediate necessity on the part of manufacturers to increase their forces. Those who have been employed have been working longer hours, and on piece work turning out more, and so increasing their earnings. Therefore, payrolls have gone up at a faster rate than employment, but the increment is not spread, as it should be, over a larger labor group."

* * *

The public is to be kept advised of price increases in various food lines through a new series of reports issued by the Department of Agriculture in cooperation with the Bureau of Labor Statistics. These reports to be issued weekly will record the prices on bread, milk, meat and other food necessities as offered in some 1,000 stores of various classes in 50 of the leading cities in the nation. A check will then be made against the prices the producers (in most such cases the farmers) pay to indicate how much increased payrolls have affected the prices charged by retailers. It also is hoped to indicate through these weekly reports the increase in the purchasing power of the farm population.

# Nation-wide collection and sales conditions

Looking backard across the period since the bank holiday in March we can gain an idea of the extent to which sales and collection conditions have improved. There are many "Good" reports this month; in March and April the "Good" reports were as scarce as proverbial hen's teeth.

These reports from the affiliated associations of the National Association of Credit Men are compiled monthly by CREDIT AND FINANCIAL MANAGEMENT and are based on regular surveys conducted by this magazine with the cooperation of the local association secretary-managers.

Being opinions concerning conditions in the major markets of the country, they are a valuable source for the answers to the two questions, "Are people buying" and "Are people paying". At the end of the reports is a compilation of explanatory comments that will be of value in interpreting the result.

| State | City | Collections | Sales |
|---|---|---|---|
| Ala. | Birmingham | Fair | Good |
| Ariz. | Phoenix | Slow | Slow |
| Cal. | Los Angeles | Good | Good |
| | Oakland | Fair | Fair |
| | San Diego | Good | Good |
| | San Francisco | Fair | Fair |
| Colo. | Denver | Fair | Fair |
| | Pueblo | Fair | Fair |
| Conn. | Bridgeport | Fair | Fair |
| | Hartford | Fair | Fair |
| | Waterbury | Slow | Slow |
| D. C. | Washington | Slow | Fair |
| Fla. | Jacksonville | Slow | Fair |
| | Tampa | Slow | Slow |
| Idaho | Boise | Good | Good |
| Ill. | Quincy | Slow | Fair |
| | Springfield | Fair | Fair |
| Ind. | Evansville | Good | Good |
| | Ft. Wayne | Fair | Fair |
| | Indianapolis | Fair | Fair |
| | South Bend | Slow | Fair |
| | Terre Haute | Good | Good |
| Iowa | Burlington | Fair | Slow |
| | Cedar Rapids | Fair | Fair |
| | Davenport | Slow | Slow |
| | Des Moines | Good | Fair |
| | Ottumwa | Slow | Fair |
| | Waterloo | Good | Good |
| Kans. | Wichita | Slow | Slow |
| Ky. | Lexington | Slow | Slow |
| | Louisville | Fair | Fair |
| La. | New Orleans | Good | Fair |
| | Shreveport | Slow | Fair |
| Md. | Baltimore | Fair | Fair |
| Mass. | Boston | Fair | Good |
| | Springfield | Good | Good |
| | Worcester | Slow | Good |
| Mich. | Detroit | Fair | Fair |
| | Flint | Fair | Fair |
| | Grand Rapids | Fair | Fair |
| | Jackson | Fair | Fair |
| Minn. | Duluth | Fair | Fair |
| | Minneapolis | Fair | Fair |
| | St. Paul | Fair | Good |
| Mo. | Kansas City | Fair | Fair |
| | St. Joseph | Fair | Fair |
| | St. Louis | Good | Good |
| Mont. | Billings | Fair | Fair |
| | Helena | Slow | Good |
| N. J. | Newark | Fair | Fair |
| | Trenton | Fair | Fair |
| N. Y. | Albany | Fair | Good |
| | Binghamton | Fair | Good |
| | Buffalo | Good | Good |

| State | City | Collections | Sales |
|---|---|---|---|
| N. Y. | Elmira | Slow | Fair |
| | New York City | Fair | Fair |
| | Rochester | Fair | Fair |
| | Syracuse | Fair | Fair |
| | Utica | Fair | Fair |
| N. C. | Charlotte | Fair | Fair |
| N. D. | Fargo | Fair | Fair |
| | Grand Forks | Fair | Fair |
| Ohio | Cincinnati | Fair | Fair |
| | Cleveland | Fair | Fair |
| | Columbus | Fair | Good |
| | Dayton | Fair | Fair |
| | Toledo | Slow | Slow |
| | Youngstown | Fair | Fair |
| Okla. | Tulsa | Slow | Slow |
| | Oklahoma City | Good | Fair |
| Oregon | Portland | Fair | Fair |
| Pa. | Allentown | Slow | Fair |
| | Altoona | Slow | Fair |
| | Johnstown | Slow | Slow |
| | New Castle | Fair | Fair |
| | Wilkes-Barre | Slow | Fair |
| R. I. | Providence | Fair | Fair |
| S. D. | Sioux Falls | Fair | Fair |
| Tenn. | Chattanooga | Slow | Fair |
| | Knoxville | Fair | Fair |
| | Memphis | Fair | Good |
| Texas | Austin | Slow | Slow |
| | El Paso | Fair | Fair |
| | Ft. Worth | Slow | Fair |
| | Houston | Fair | Fair |
| | Waco | Fair | Fair |
| | Wichita Falls | Fair | Fair |
| Utah | Salt Lake City | Fair | Fair |
| Va. | Bristol | Fair | Fair |
| | Lynchburg | Good | Good |
| | Norfolk | Fair | Fair |
| | Richmond | Fair | Good |
| | Roanoke | Slow | Slow |
| Wash. | Bellingham | Slow | Slow |
| | Seattle | Fair | Fair |
| | Spokane | Slow | Slow |
| | Tacoma | Fair | Fair |
| W. Va. | Bluefield | Slow | Slow |
| | Charleston | Fair | Fair |
| | Clarksburg | Slow | Slow |
| | Parkersburg | Fair | Fair |
| | Wheeling | Slow | Fair |
| Wis. | Fond du Lac | Slow | Slow |
| | Green Bay | Fair | Fair |
| | Milwaukee | Fair | Fair |
| | Oshkosh | Slow | Slow |
| Honolulu | Terr. of Hawaii | Slow | Slow |

## Nation-wide collection and sales comments

ALABAMA: Birmingham reports "With Government cotton money coming in, the Fall season will be 60 days earlier than if the crop were harvested. There has been an improvement in sales in most lines, although the construction building material manufacturers are lagging".

CALIFORNIA: A very marked improvement has been noted in both collections and sales in San Diego. There has been a decided increase in sales in San Francisco, and collections have improved, particularly in food.

FLORIDA: Sales in most lines in Jacksonville have improved slightly, but so far this is purely speculative buying.

KANSAS: Crop failures in Wichita continue to affect collections. Sales are better due to the expected advance in price.

LOUISIANA: Collections in New Orleans have improved 100% over the same period last year. Sales have increased 200%. Shreveport reports "While collections in most lines are still slow, sales during last month are said to have increased considerably, especially with the wholesale dry goods houses, due to the processing tax. A better feeling seems to exist throughout the entire territory. A twenty inch rainfall during one week, and a consequent overflow, did much damage to river bottom and lowland crops. In some instances, it resulted in a total loss."

MICHIGAN: Detroit informs us that local conditions will improve as soon as the bank situation has been cleared up. There has been an improvement in the automobile industry. Sales nationally have a stimulating effect upon a wide circle of industry. The 3% State sales tax, however, is a disturbing element. A steady improvement has been noted in sales and collections in Flint.

MINNESOTA: There is an indication toward improvement in conditions in Duluth. The results, however, will not be decisively known before the crop is harvested. Much depends upon crop production and crop price as to whether there will be any decided improvement this Fall. There has been a definite improvement in conditions in Minneapolis. St. Paul reports a slight seasonable falling off in sales, although the Fall outlook is bright. The small grain crop has improved slightly more than expected, following hot dry weather; the corn crop has been spotted, but generally better than average. Syracuse reports "We are hopeful, as is the rest of our country, in our President's aggressive attack on the depression. Our manufacturers and merchants are rapidly falling in line on the N.R.A. plan."

NORTH CAROLINA: Increased wages and reemployment in Charlotte has shown an improvement in sales and collections. The opening of the tobacco markets should help eastern sections of this state.

OHIO: Local banks in Cleveland have released more than $50,000,000.00 as dividends on frozen accounts during the month.

OKLAHOMA: The general outlook in Oklahoma City indicates collections are much better during the past six months. Sales have also picked up.

PENNSYLVANIA: There is more than a seasonable upward trend in all lines in Allentown, particularly in commodities of everyday use, the exception being the building trades which have not felt any marked increase.

TENNESSEE: Memphis reports sales at present are exceptionally good, due to wholesalers selling quite a bit of feasible merchandise necessary in the harvesting of the coming cotton crop. Collections are fair, but merchants are quite optimistic inasmuch as there is going to be a less amount of money released in the cotton section due to the reduction of acreage, and although a large portion of this money will go to the seed loan and other mortgagors to retire the furnish, a great deal of it will creep into the hands of the merchants in the Delta, and in turn, come into the hands of wholesalers in Memphis. If the cotton price continues to stay at its present level, there will be an abundance of money in this immediate territory after the middle of September.

TEXAS: Business in Austin has fallen off because people are busy getting into line with the President's N.R.A. There has been a fair improvement in sales and collections in El Paso. Sales in Waco have shown a small constant increase since the first of the year. A report from Ft. Worth indicates that collections have slowed up somewhat, with sales slightly more than previous months. Business men generally are looking forward to increased sales by September 1st, or as soon as the increased earnings made possible under the N.R.A. begins to circulate.

VIRGINIA: A gradual improvement has been noted in Lynchburg. Norfolk reports collections have been slow for the past month, but they are showing signs of improvement.

WASHINGTON: Sales in Seattle appear to be on the upgrade, with collections also improving.

WEST VIRGINIA: Some small general improvement has been noted in Parkersburg during the past month.

## Changes since last month's survey

| State | City | Collections | Sales |
|---|---|---|---|
| Alabama | Birmingham | | Fair to Good |
| Arizona | Phoenix | Fair to Slow | Fair to Slow |
| Connecticut | Bridgeport | | Good to Fair |
| | Hartford | Slow to Fair | |
| D. C. | Washington | | Slow to Fair |
| Idaho | Boise | Fair to Good | Fair to Good |
| Illinois | Quincy | | Slow to Fair |
| Indiana | Evansville | Fair to Good | Fair to Good |
| | Indianapolis | Slow to Fair | |
| | South Bend | Fair to Slow | |
| Iowa | Cedar Rapids | Good to Fair | Good to Fair |
| | Davenport | | Fair to Slow |
| | Des Moines | | Good to Fair |
| | Waterloo | Fair to Slow | Fair to Slow |
| Kentucky | Lexington | Fair to Slow | Fair to Slow |
| Louisiana | New Orleans | Fair to Good | |
| | Shreveport | | Slow to Fair |
| Massachusetts | Boston | Good to Fair | |
| | Springfield | | Fair to Good |
| | Worcester | Fair to Slow | Fair to Good |
| Missouri | St. Louis | Fair to Good | |
| New York | Binghamton | | Fair to Good |
| | Elmira | Fair to Slow | |
| Ohio | Columbus | Good to Fair | |
| Oklahoma | Oklahoma City | Slow to Good | Slow to Fair |
| Pennsylvania | Allentown | | Slow to Fair |
| | Altoona | | Slow to Fair |
| Tennessee | Chattanooga | | Slow to Fair |
| | Knoxville | | Good to Fair |
| | Memphis | | Fair to Good |
| Texas | Austin | Fair to Slow | |
| | Ft. Worth | Good to Slow | |
| | Wichita Falls | Good to Fair | Good to Fair |
| Utah | Salt Lake City | Slow to Fair | |
| Virginia | Lynchburg | Fair to Good | Fair to Good |
| | Roanoke | Fair to Slow | Good to Slow |
| Washington | Spokane | | Fair to Slow |
| West Virginia | Parkersburg | Slow to Fair | |
| Wisconsin | Green Bay | Slow to Fair | |

# Graphs tell essence facts

**"The greatest value of charts to an executive is in the fact that they reduce the process of mental visualization to a minimum and permit of an instantaneous comparison of the results of the operations of one period with another."**

**by ROBERT ATKINS, C.P.A., New York City**

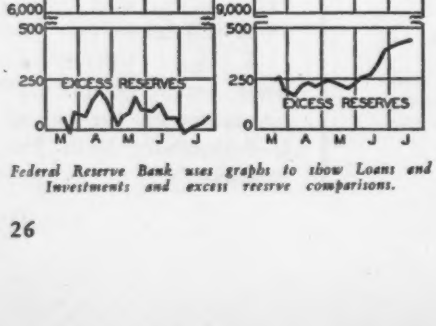
It has been truly said that "no better or more exact means seems to have been devised to effect the fullest grasp of a business than to illustrate it through the medium of graphic charts."

Although the use of charts in business is not new there is a growing appreciation of their value and an increasing tendency to use them to convey information which it is desired to submit in the most comprehensive form.

That we are in an era of picture presentation is evident from the growth of the movies, and from the fact that not so long ago comparatively few newspapers contained any pictures, while today some of them contain scarcely anything else and nearly all of the others are using pictures in their daily presentation of the news.

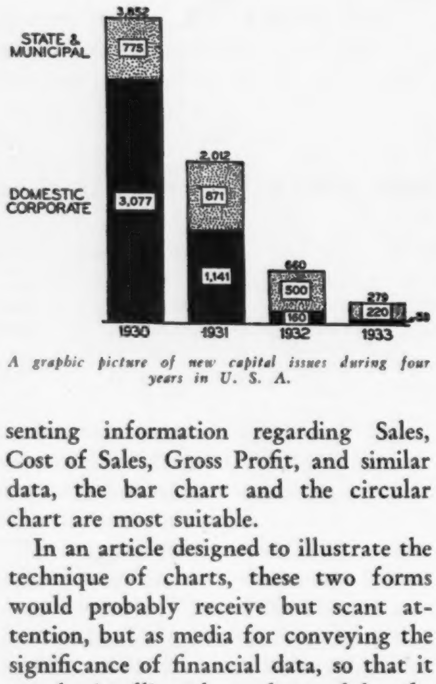
Since graphics can be used to cover nearly every phase of accounting and reporting it would seem that in refraining from their use Certified Public Accountants have missed opportunities to make clear to their clients many facts which could have been most effectively explained in graphic form. That Accountants have changed their attitude in this respect, is evident from the increasing number of charts appearing in their reports, which, it is fair to assume, have been found helpful to their clients in enabling them to more satisfactorily interpret the information contained therein.

The greatest value of charts to an executive is in the fact that they reduce the process of mental visualization to a minimum and permit of an instantaneous comparison of the results of the operations of one period with those of another.




*Federal Reserve Bank uses graphs to show Loans and Investments and excess reserve comparisons.*

The treasurer of a well-known firm, and a pioneer user of charts, was asked what types of charts he considered best adapted for general use. His reply confirmed the writer's opinion that for pre-




*A graphic picture of new capital issues during four years in U. S. A.*

senting information regarding Sales, Cost of Sales, Gross Profit, and similar data, the bar chart and the circular chart are most suitable.

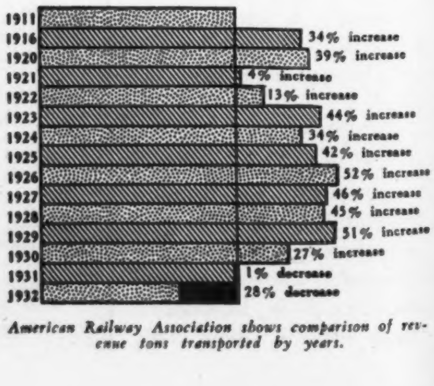
In an article designed to illustrate the technique of charts, these two forms would probably receive but scant attention, but as media for conveying the significance of financial data, so that it can be intelligently understood by the greatest number of persons engaged in the management of business, they are probably unsurpassed.

A study of the literature relating to the principles of graphic presentation will convince one that much ingenuity has been displayed in the preparation of the various forms which are illustrated therein. Some graphics remind one of that statement of Adam Smith's: "The machines that are first invented to perform any particular movement are always the most complex, and succeeding artists generally discover that with fewer wheels, with fewer principles of motion than had originally been employed, the same effects may be more easily produced."

The aim of graphics is to clarify or emphasize the essential facts of statistical data and the graphic method should be employed only with this definite object in view. Ordinarily, there can be no excuse for graphics which are so complicated that it is more difficult to read them than it would be to get the facts from the data in tabular form.

Inspection of the 1932 annual reports of a representative number of American Corporations indicates, in a measure, the limited extent to which the use of graphics has progressed. Of those examined the report of the American Tel. and Tel. Co. was the only one which contained more than one chart. The extent to which this company informs its stockholders and the public as to its activities is highly commendable and its use of charts for this purpose is an eloquent testimonial to the value which it places upon graphic presentation. A study of similar charts will be of material help in determining the efficiency of those executives who are presumed to be conducting the affairs of their respective corporations for the benefit of stockholders.

In addition to *(Continued on page 42)*




*American Railway Association shows comparison of revenue tons transported by years.*

# *Conserves her energy...*

## for better typing and increased production

**THE MOTOR RETURNS THE CARRIAGE**

A mere touch of the "return" key, which is conveniently located on the keyboard, causes the motor to return the carriage to the starting position, or to any predetermined intermediate point. Spacing to the next writing line is automatic . . . and accurate.

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*The keyboard is standard—there is no new touch to learn*

WITH Burroughs Electric Carriage Typewriter—most modern of all typewriters—the fast flying fingers of the skilled typist need never leave the keyboard. The built-in motor does the heavy work, permitting the typist to concentrate all her time, attention and energy on producing more and better typing.

Like all Burroughs typewriters, this new machine is built to give long, dependable, economical service. It carries the Burroughs guarantee. It is backed by Burroughs' own worldwide service organization which has, for so many years, kept all types of Burroughs electrically-controlled machines in continuous and profitable operation.

See this new machine . . . examine it . . . have it demonstrated on your own work, in your own office. Or write for illustrated, descriptive folder, to Burroughs Adding Machine Company, 6259 Second Boulevard, Detroit, Mich.

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*When writing to Burroughs, please mention Credit & Financial Management*

# Insurance as bolster of protection

**"Many failures have resulted by reason of a disaster against which no bolster of protection has been provided. Many failures have occurred because the bolster of protection was inadequate."**

## by D. C. CAMPBELL, Manager of Credit Department, Fidelity-Phenix Fire Insurance Company, Chicago

SOME Gamblers take chances professionally. Many merchants take chances for any one of three main reasons:

1. Economy. 2. Lack of foresight. 3. Disinterest in or lack of knowledge of protection principles.

Many failures have resulted by reason of a disaster against which no bolster of protection had been provided. Many failures have occurred because the bolster of protection was inadequate.

Sufficient and sound insurance against possible and probable disaster is a bolster of protection to the debtor and a safeguard to the account for the credit man. It is false economy to gamble with the hazards of fire, tornado, earthquake, explosion and liability for injury and property damage.

A boat-building company sustained an almost total loss by fire; the insurance in proportion to value was very low, which necessitated a bank loan to rebuild the plant. Business fell off, fixed charges could not be met, a trustee was appointed and the bank is in the boat building business.

A large laundry had frequent labor disagreements. During one of these altercations, late at night a TNT bomb was exploded, doing heavy damage to equipment. As a result the firm was in trusteeship, badly crippled for profitable operation.

Again, a sprinkler tank bursting caused a total loss to a large stock of paper. Bankruptcy was inevitable, as no protection in the form of sprinkler leakage insurance was in force.

An individual proprietor was ruined by a $35,000 judgment as the result of an automobile accident injuring three persons, with inadequate public liability coverage.

Cases of this kind are of sufficient frequency to justify the most careful foresight on the part of the credit man, particularly when he has a substantial amount tied up in an account. In such situations it is advisable to use the National Association of Credit Men's insurance statement form. When this has been filled out, an analysis in the light of later articles in this series will bring out any inadequacy of protection.

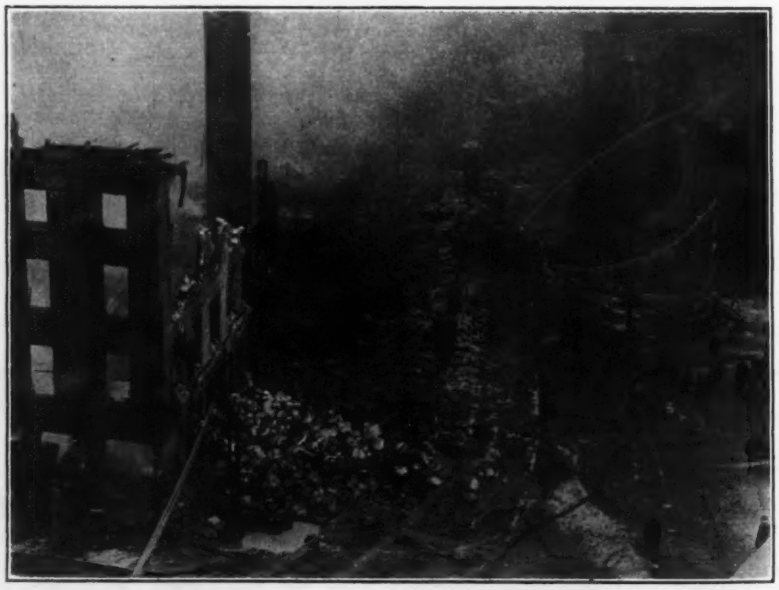
It is said that a large wholesale house in the central west exercises such close supervision over their larger accounts that they frequently have the insurance policies in their possession, and sometimes even handle closing details of adjustment. As a general policy, the Federal Reserve Bank requires that all warehouse receipts and bills of lading submitted for discount be accompanied by the insurance policies.

The credit man can well afford to be just as particular about the accounts he has at stake. Adequate insurance is the protective bolster against losses to both debtors and creditors.

Protection cannot be judged by its form alone. The type and financial stability of the carrier deserves careful analysis. The potential liability of the assessment type carrier should be thoroly scrutinized. It must be borne in mind that the assessment type fire and casualty company generally have no capital stock and therefore must operate solely with the funds of those who hold their policies. The acceptability of the type of insurance carrier to bankers for collateral purposes is a good guide.

Financial structure and its twin brother, the underwriting policy, and the method of analysis of insurance statements will be covered at a subsequent date.

It is needless to say that the bolster of protection is no stronger than the carrier. Careful observation of the adequacy of insurance coverage and the soundness of the carrier will avoid those losses otherwise inevitable.



*Courtesy Board of Fire Underwriters*

**The Fall River fire disaster caused heavy losses which reacted on credit and collections.**

# In the modern office

**An idea and experience exchange on equipment, system and management in the modern credit and business office.**

The Wabash Cabinet Company is out with a capital device for filing Industrial Recovery Act Codes and correspondence and documents relating to them. The special folder binder keeps them together and the indexing puts them under the thumb when desired.

The binder is called "The Industrial Recovery Act Binder Folder." Two fibre boards, filing size, with rounded corners are fastened together so they can be expanded along the left-hand margin. On the upper leaf outside are directions for filing the data. Acco fasteners are attached to the tops of both boards. The user is directed to attach the code or codes covering his industry to the inside of the back leaf, and all letters, rulings, clippings, etc., regarding the codes to the inside of the front leaf. As the material grows, the folder expands to accomodate it.

On the lower or righthand sheet is one of the strong Wabash metal index tabs firmly riveted in place and bearing a celluloid name-plate entitled, "Industrial Recovery Act."

The folder is simple, substantial and convenient and should be in considerable demand.

* * *

Cico liquid paste, developed and manufactured by The Carter's Ink Company, Boston, is a pioneer in its field, and has been constantly improved over a period of years. A new package now brings greater beauty and added convenience in use.

The new jar is opal glass with a double shell black closure having polished aluminum dome. In place of the bristle brush, an adjustable hard rubber handle with rubber spreader is provided. An inner rubber washer seals the desk jar tightly, preventing evaporation and guarding against the possibility of drying up in the jar.

These improvements have been made in the two largest sized desk jars. In the twenty-five cent field, Cico comes in an opal jar with a fixed combination rubber spreader and moulded rubber cap. This line of three desk jars fills every requirement for home and office use.

* * *

The newest product announced by the Heyer Corporation, Chicago, Ill., is a fluid for correcting errors on all dry stencils.

In accordance with its policy of presenting new or improved products in packages whose design is in harmony with the modernness of the product, the Heyer Corporation is offering the new correction fluid in an attractive container. The new package is a medernistically designed half ounce bottle with an attractive purple and gold label that imparts a "quality appearance." The bottle has a moulded composition screw cap to which a rather long brush applicator is attached, making a perfect tie-up between the product and its simple application. As a finishing touch the bottle is contained in a gold and purple box similar in design to the label. The complete package retails for twenty-five cents.

* * *

The Sanford Manufacturing Company, Congress and Peoria Streets, Chicago, has developed a simple and convenient filling device so that fountain pen users can fill their pens as easily from a quart bottle as from a two-ounce size. This new filler is packed as a regular equipment with each quart of No. 271 C blue-black fountain pen ink.

The filling device consists of a cylindrical glass well set on a square base. The Sanford "Pour-out" spout makes it easy to fill the fountain pen ink well, which in its turn makes it easy to fill a fountain pen. Because the diameter of the inkwell is small, the amount of ink the pen is taking up is readily apparent. The ink well is supplied with a cap to protect any ink that remains in it after the pen has been filled, from dirt and dust.

Also, included in the quart carton is a pen wiper for use in wiping off the excess ink after a pen has been filled.

The Eaton Paper Corporation, Pittsfield, Mass., manufacturers of Berkshire typewriter papers, has recently added to this line, a new bond paper watermarked "Eaton's Erasable Bond."

The new paper is a rag content bond paper which has been created under a recent development in paper making by a secret process that has been patented. The outstanding feature of the paper is that typewritten work will erase just as easily and clearly with an ordinary pencil eraser as it does with an ink eraser.

# "This month's collection letter"

## By H. H. RASMUSSEN, Ralston Purina Co., St. Louis, Mo.

**Gentlemen:**

**We have just finished reviewing carefully the entire file in connection with your unpaid account and can see no reason why payment should not now be enforced. But before we change our collection procedure let's just go over the situation together.**

**After your account matured we not only sent you a statement and a duplicate invoice but we wrote you four times without receiving the courtesy of an answer. A draft was drawn but you did not pay it. Please try to look at our side of this as well as yours. Our letters have proven ineffective, we have no collector to call on you and our only other alternative is to employ an outside collection agency or attorney.**
**Knowing how seriously a merchant's standing in his community may be affected when an account is reported in the hands of an attorney, we always endeavor, in the few cases of this kind that come up to protect a customer by first notifying him fully of our intentions.**

**We still value your goodwill and dislike to write you in this manner but we feel that we should tell you very frankly that the account is to be placed for collection through other channels if not paid immediately. Your check mailed today will make such action unnecessary.**

*Mr. Rasmussen gives some interesting side-light on his whole series of collection letters in addition to this the fifth in his collection campaign.*

Here is another in the series of model collection letters that have been tried and found worthy by readers of CREDIT AND FINANCIAL MANAGEMENT. This month's contribution from Mr. Rasmussen is the fifth in a series of standard letters used by his firm.

In submitting it Mr. Rasmussen wrote that "although the preceding letters collect a very large percentage of accounts the letter which I am enclosing and which is sent to customers whose accounts are about sixty days past due, has had a 'PULL' of approximately 68 percent.

"At this stage of the collection procedure an account may not be desirable but we nevertheless are interested in the fact that this letter seems to have caused the very minimum of loss of goodwill."

Because of the general excellence of the letter, we asked Mr. Rasmussen to outline for us the previous letters in the series. Here is his response.

"Each letter is first of all a definite request for a remittance or reply. Secondly it paves the way for the next letter or in some way ties in with the preceding one. Finally it covers some specific point as explained in the discussion of the individual letters.

"Letter No. 1 is written when an account is about two weeks past due and statements have already been sent. We attach to the letter a duplicate invoice and ask our customer to let us know at once if he has any question about the correctness of the invoice.

"Letter No. 2—Since our first letter was not answered we assume that the charge was correct and that there is no good reason why it should not be paid promptly. We tell our customers that we intend to draw a draft unless he either remits or writes us that he prefers to send check direct.

"Letter No. 3 is merely a notice that a draft has been drawn. Because of letter number two he cannot seriously object to our doing so.

"Letter No. 4—Why has our draft not been paid? Or has the bank failed to make prompt payment to us? The effectiveness of this letter is increased by a sentence such as 'We wonder if you realize to what extent prompt pay builds and protects your credit . . . etc.'"

Supplementary to these collection letter efforts there should be reliance on Credit Interchange reports. With Interchange reports before you on each of your accounts, you will attain maximum effectiveness in using the collection letters presented here.

Send us your best collection letter for our "collection of collection letters" which we are gathering for the readers of CREDIT AND FINANCIAL MANAGEMENT.

A selected series of individual copies of the collection letters which have appeared in the magazine are available upon application to Miss Mary V. Larkin, Manager, Collection Letter Department, CREDIT AND FINANCIAL MANAGEMENT, One Park Avenue, New York, N. Y.

## Behind the Recovery Drive

(Cont. from page 9)

pecuniary reward. The redistribution of wealth does not mean that the day of wealthy men is over. But it does mean that the rewards will go increasingly to the executives who have really earned them.

Since the collapse of 1929 we have had the sorry spectacle of many executives continuing to draw huge incomes while their companies were losing money heavily. Men were let out of work, the wages of those still employed were greatly reduced but the large salaries of the leading officials continued with scarcely any reduction at all. In the new order of economic thinking it seems that our philosophy of compensation must change. In the first place, workers must be paid a minimum living wage for a scheduled number of maximum hours. In the second place, the salaries and income of executives must be adjusted to compensate for actual earning capacity. If a company is losing money the leading executives do not deserve the high salaries they are receiving. If the company is making more money than others in the same line of business, while maintaining the wages of employees and quality of service, the executives deserve greater rewards. In the third place, either increases or decreases, must be perpendicular rather than horizontal. The income adjustment must start at the top and extend down through every stratum of employees rather than apply horizontally through two or three employee classifications.

Fundamentally, the main objective behind the recovery program is to increase the sense and area of responsibility. The executive whose chief responsibility has been to his stockholders must broaden his area of responsibility to include his employees and the industry of which he is a part. In a few trade associations we have already had commendable examples of collective responsibility. Collectivism, in so far as it belongs in our economic system, applies to responsibility and thinking rather than to management and administration. The first requisite for a planned economy and society is a group of business leaders whose sense and area of responsibility extends in wide circles beyond their particular jobs and companies.

When an analysis takes us behind the actual administration of the agencies comprising the National Recovery Program and reveals the principles at work

below the surface we discern an equitable, humanitarian pattern symbolizing the beginning of a great era of constructive individualism. As this program is functioning today we are not headed for Federal socialism, economic Fascism nor any of the several other extreme economic orders that have been predicted. But we are headed for a "new and responsible business community". The new business man must be as responsible for the maintenance of the payroll figure on his books as he is for the net profit figure. He will become, in effect, a public servant.

The very existence of many inequities that have developed in the administration of the National Industrial Recovery Act particularly does not reveal weaknesses and unfairness in the N.R.A. but rather reveals inequities that already existed in our economic system. Several examples can be cited showing how adherence to the blanket code may impose additional burdens on those who least deserve such an imposition. These special cases can be presented to the N.R.A. and if there is patent inequality they will be adjusted to relieve that condition. It is obvious that in such a gigantic program, affecting virtually every business unit in the country, that there will be misunderstandings and grievances. Such a herculean task cannot be carried on without offending a certain minority of people. It is an economic war and we face, in some instances, the necessity of minor casualties to attain a major victory.

## The Dangerous Auto Drivers

The few menace the safety of the many, particularly in the operation of motor vehicles. The public as a whole conforms fairly well to certain recognized standards. This is true of dress, manners and general habits of life. It is 85% true of the users of the highways, according to a bulletin issued by the Connecticut Department of Motor Vehicles. In other words, 15% of the licensed motorists cause most of the automobile deaths, injuries and damage to property. They are the drivers who are continually operating their cars *differently* from the other 85%.

So come on you "85 per centers," bear down a bit on the "15 per centers" and add to the efforts of the law enforcement agencies the endorsement of your personal attitude in the matter.—*The Aetna-izer.*

Many municipalities are only waiting for the issuance of the official application forms to get their cases presented and inquiries are coming in constantly as to the procedure to be followed. It is believed that the local administrators' offices will be prepared to handle this rush of applications but it would probably be best for those who desire prompt action to be ready at least with a preliminary application at an early date. The fact that the present construction season is already well advanced increases the desirability for immediate action.

## Smash the Rackets

(*Continued from p.* 13) attack against the new menace of the underworld depends upon the increased vigilance of business executives and the ready and unwaivering co-operation of more organizations combining themselves together for self-protection, mutual co-operation, and as an economic and social safeguard to the consuming public.

## Traditions and Pioneers of N. A. C. M.

(*Cont. from p. 17*) under the auspices of credit managers. The invitation was warmly received in a number of cities. Naturally, the associations already organized were deeply concerned with the success of the national movement and on June 23, 1896 there assembled in Toledo, Ohio a group of probably 100 representative credit managers for the purpose of considering a national movement in the credit field. The dramatic incidents of this convention will be related in the next instalment of this history. The convention deserves a position of honor and to it the nation owes a debt of gratitude. Had it not been that credit managers were inspired by an inward conversion to give up their individualism and work together wholeheartedly and co-operatively, our developments along industrial and financial lines would have not appeared in the glowing figures that have given us a unique and preeminent position since the turn of the twentieth century.

Our readers can reflect upon the events and the atmosphere of the past. They can realize the strains and the growing pains that brought us into a place of great responsibility and it is well that they should know how their forbears in the credit movement strove with all their might to give credit a position and a currency that would increase our commerce and elevate our standards of living.

## Does Bankruptcy Law Fail?

(*Continued from p. 18*) upon all unsecured creditors, the action taken by vote of the holders of the majority in amount of creditors' claims when assembled on notice to all parties in interest. As this is the missing power to the effective working of the adjusting departments of credit men's organizations, a concerted drive by credit organizations is the answer as to how to obtain such laws speedily. As there is no conflict between such laws and our present bankruptcy law, proposed amendments of the latter should not delay the movement.

Then add to the bankruptcy act the English provision denying discharge when he comes into bankruptcy with assets in value less than fifty per cent of his unsecured indebtedness, unless he satisfies the court that such condition has arisen from circumstances for which he cannot justly be held responsible.

The writer desires to obtain the views of business men upon the subject and invites comments and suggestions *pro* and *con*. The mechanics of the proposed law will require exchange of ideas and must wait, but are not difficult to devise.

Let us collaborate and construct an American Adjustment System for American business that will free the honorable business man from fear of the bankruptcy court, and make it safe for him to take his troubles to his creditors before it is too late to save either him or them.

In importance the matter is secondary only to our economic adjustment, of which it is in fact a part. Not so far as concerns what goes on in the bankruptcy court, which is the least part of our problem,—we will solve that matter when our head clears on the subject as a whole—but for the stabilization and efficient functioning of the billions of credit capital driving our industrial machine.

# Problems of business recovery

(*Continued from page* 12)

selfish interest of the United States as a whole to establish tariff policies that will tend to build rather than break the buying power of Europe and the rest of the world to the end that these nations shall be paying customers for the surplus output of American factories and American farms.

Tariff policy is one sort of problem for a debtor nation, but quite another sort of problem for a creditor nation. When we were a debtor nation we used our tariffs to discourage imports. It was right for us, as a debtor nation, to play for an excess of exports over imports out of which to meet our obligations. Then, in the wake of the war, we found ourselves a creditor nation, money-lender to the world, a rich nation with a world in debt to us. But from that day to this we have not readjusted our national policies to this change from debtor to creditor. We are still struggling to keep our imports as low as possible and to force our exports as high as possible. We still cling to tariffs that make it difficult if not impossible for the debtor nations to pay their debts to us in goods and services. The first law of the debtor-creditor relationship between nations is that the debtors must have exports in excess of imports and the creditors imports in excess of exports. This means far-reaching economic readjustments for us if we face it realistically, but it means chronic maladjustment for us if we ignore it.

The United States, as the largest industrial nation in the world, holds the key to the rationalization of the tariff and trade relations of the world. If we take no steps toward readjusting our tariff policies to our new creditor status and to the changed circumstances of this changed time, and if we deliberately abstain from world-counsel and world-cooperation under the spell of the delusive dogma of isolation, I can see nothing ahead but a world-wide tariff war.

Every country, sooner or later, will decline to import anything it can possibly make at home. World trade will shrink to smaller and smaller dimensions. America will have to pull into her shell, abandon almost wholly her foreign investments, bid goodbye to her export trade, and go in for isolation in her trade as well as in her talk.

I turn, second to the plight of the American farmer. With respect to agriculture, as with respect to our economic enterprise generally, I think we face two clear alternatives. We must either play for a reopening of world markets for American agricultural products or scale our whole system of farming down to a domestic basis. The latter, pushed to its logical conclusion, is, in my judgment, not statesmanship, but the counsel of despair. The experience of the next four years will, I confidently predict, make increasingly clear that far-sighted and world-minded foreign policy can mean more to the American farmer than all the specific farm legislation that can be conjured up to catch the votes of the hinterland.

For seventy-five years we have been developing certain major branches of American agriculture for export as well as domestic trade. Last year in four such branches—cotton, wheat, tobacco, and pork products—the productive capacity in excess of domestic demand stood about as follows: cotton, 50 per cent in excess of domestic demand; wheat, 20 per cent; tobacco, 35 per cent; and pork products, 10 per cent. These four branches of agriculture comprise about 85 per cent of our agricultural exports. We have suffered acutely in these four fields during the last three years as exports have dropped and surpluses piled up. Prices in these fields are lower than prices in agricultural branches primarily domestic in outlet.

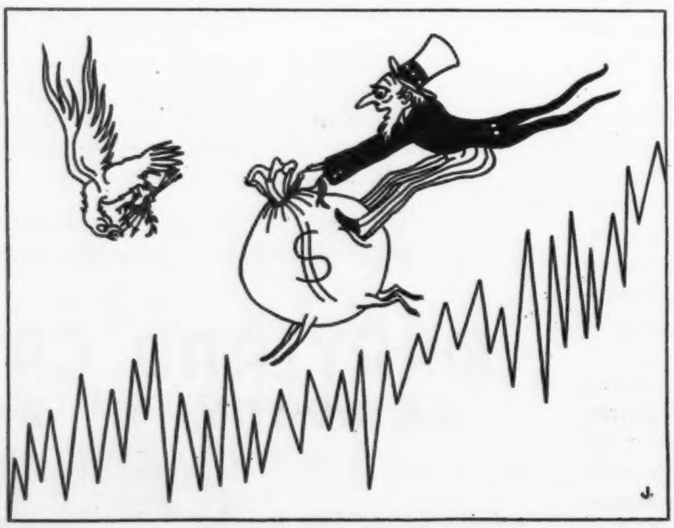
We shall not, in my judgment, find a satisfactory answer to this difficulty by schemes for the arbitrary reduction of acreage used in these branches of agriculture. To me it is incredible that, in a world of tragically unfilled human need, statesmanship must set out upon the Quixotic attempt to increase wealth by destroying property or declining to create it. The domestic allotment type of legislation, reduced to its essence, is an attempt to solve the agricultural problem by inducing a modified famine on the installment plan.

I am quite aware that human need is not effective economic demand unless it is equipped with purchasing power. But it is the first obligation of public leadership, under an economics of plenty, to refuse to consider reversion even to a modified scarcity, until it has exhausted its ingenuity in devising ways and means of translating existing human need into effective economic demand.

All of which means that we cannot rescue the American farmer from his present plight by any specific farm legislation alone. What we do to effect a wider spread of buying power and what we do to clear the now clogged channels of world trade will be more important to the farmer than any direct farm legislation.

The logic is, to me, inescapable. Any program of agricultural legislation that does not open world markets for American agricultural products is grossly inadequate. I am aware that there is no simple recipe for reopening world markets. But we should clear the decks promptly for a comprehensive attempt to effect reciprocal trade agreements wherever their feasibility is indicated.

I turn now, in conclusion, to the second field of domestic industry. Any realistic analysis of the current depression (*Cont. on page* 41)



From The Forum & Century

**"Whoa, Dollar, Whoa."**

# Notes About Credit Matters

## Two More "C's" for The Credit Man

Mr. R. Guy Echols, Credit Manager of the American Crayon Company, in a recent letter to Mr. R. A. Colliton, Director of the Credit Interchange Bureaus of the N. A. C. M., brought out a very significant principle concerning fundamentals of credit thinking. Mr. Echols feels that a great mistake is constantly made in referring to the "Three C's of Credit". He believes that a more accurate nomenclature should be used embracing what he calls the "Five C's of Credit".

Excerpts from his letter follow:

"We shall take, if you will permit, the original three 'C's' of Credit, which are Character, Capacity and Capital. To these we can very appropriately add the factor that you have been seriously considering for a period of time, that of

'CONDITIONS'.

"Just to really complete the picture, we will add the final 'C'. Instead of using the word 'Performance', I am going to use a word which means almost the identical. We shall add the word 'Conduct'.

Here they are:

CHARACTER
CAPACITY
CAPITAL
CONDITIONS
CONDUCT

"There five factors of credit qualifications are almost all embracing, and are certainly inter-locked and yet distinctive as to their requirements, and I sincerely hope that credit executives will get away from the 'moss-bound' theory of three 'C's' forming the foundation of credit, because none of the three 'C's' is any good at all unless conditions are proper, and then none of the four 'C's' is of any value unless Conduct is performed. I would like to see the National Office, the various local associations and the offices of the National Staff, particularly through the columns of CREDIT AND FINANCIAL MANAGEMENT, give an appropriate amount of frequent publicity to these five 'C's', and sell these two additional 'C's' to an essential degree of absorption by the credit community.

"This is no wild, over-night dream, or haphazard conclusion, but a very considerately thought-out conclusion."

### Bankruptcy

Shortly before the new Bankruptcy Act was passed, an involuntary petition in bankruptcy was pending against a wholesale jeweler of Oklahoma City. His attorney asked for an extension of time in which to answer on the ground that Congress was likely to pass a new Act, and that his client wanted to take advantage of it, when, as, and if passed. The Court granted the extension, and immediately after the Act was passed and became a law the jeweler's attorney filed a schedule and under the new Act offered a composition settlement of 25c on the dollar. E. E. Barbee, Manager of the Oklahoma Wholesale Credit Men's Association was appointed Custodian, and in all probability was the first Custodian appointed in the United States under the new Act.

### Leniency

The effects of leniency in collections has long been recognized. Already at the turn of the century the National Association of Credit Men's bulletin reprinted this anecdote from *Harper's Weekly*: "In a certain town of Connecticut a deacon of the church, charged with soliciting subscriptions for a charity, recently experienced considerable difficulty in getting the townsman to contribute. To one of his neighbors the deacon said: "Oh, come Richard, do give something." "Sorry, deacon," answered Richard, "but I don't see how I can." "Why not, isn't the cause a good one?" "Oh, yes; the cause is good enough, but I owe too much money." "But, Richard, you owe God a larger debt than anyone else." "That's true, too," drawled Richard, "but God ain't pushin' me.".

# Credit careers

Richard T. Baden

Richard T. Baden of Baltimore, known as "Dick" Baden among a wire circle of friends is celebrating his fiftieth anniversary in business with an undiminished vigour, and greater responsibilities than ever in directing a business enterprise, Holland, Baden, and Ramsey, that he helped to launch in 1916.

Dick was a country lad, and from the place of his birth in Southern Maryland wandered to Baltimore and took his first job in 1883.

Three years later he became associated with Henry Keidel & Company, hardware merchants of Baltimore, and became the manager of their credits in 1898.

The Baltimore Association of Credit Men was not out of its swaddling clothes when it caught Mr. Baden's eye in 1900 and he cast his fortunes with this promising organization.

The convention of 1904 in New York City was a real eye opener to this young credit manager and from that time on his coat was always off whenever there was work of any kind to be done for this organization.

In 1905 he served the Baltimore Association as secretary without compensation for a brief period.

He was president of the Baltimore Association for two terms 1918-1920, and he filled many positions of importance and value to the local Association too numerous to mention.

Developing gradually into the broader

field of national activities, Mr. Baden was elected a director of the National Association of Credit Men in 1920; after serving in this capacity for four years he was elected a vice president of the national body in 1924, and was favored by his election as president of the N. A. C. M. at the Washington convention in 1925.

A natural born mixer, "Dick" could always be found where good fellowship prevailed, his cheery laugh and pleasing manner making him extremely popular in Association circles.

Aside from business he was fraternally inclined, affiliated with several important clubs and at one period of his life a foeman worthy of anyone's steel on the golf field.

Capable, faithful, sincere and constantly found on the right side of every question, Dick Baden has carved for himself a niche high up in the honor roll of our Organization.

## Manila Group Now Affiliated With N. A. C. M.

About a year and a half ago certain interested credit men representing large distributors in the Philippine Islands decided to organize themselves into an association of credit men. Mr. W. J. Diehl, Credit Manager for the Associated Oil Company at Manila, became one of the chief sponsors of the new organization. Mr. Diehl communicated with the Western Division office of the National Association of Credit Men and certain forms in use by other interchange bureaus on the mainland were forwarded to him.

About June 1932, the ledger interchange bureau of the Manila Association was started. A few of the principal firms started to contribute information until now the organization has grown to where thirty-eight members are users of that service.

It is a pleasure to announce that starting July 1, 1933 the Association of Credit Men, Inc., (P. I.) became a full fledged affiliated unit of the National Association of Credit Men. There is no collection or adjustment department operated by the Association; this may come later. However, the interchange bureau is their principal activity, together with the fact that the credit men have organized themselves together to better credit conditions in Manila and other points on the Philippine Islands.

Mr. W. J. Diehl of the Associated Oil Company, Manila, P. I., is the president of the Association. Mr. C. T. Stark, of Armour and Company, is Vice President, and Mr. Th. Meyer of the Philippine Manufacturing Company, is the Secretary-Treasurer of the Association.

Arrangements are now being entered into whereby it may be possible to exchange information between the association of credit men in Manila and the N. A. C. M. Foreign Credit Interchange Bureau in New York.

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Anyone who is willing to listen gets credit for being a charming conversationalist.

Order and system clear the way for concentration on the main issue.

## No Sale

The young lady was looking over the stock of radios. "I want to buy one on the installment plan," she said.

"Yes, madam, I think that can be arranged," said the clerk. "Have you any references?"

"Yes, from our last dealer."

"May I see them?" he asked.

"Well, I haven't any with me," she returned, "but I'm sure he will be glad to tell you that there wasn't a scratch on the cabinet when he took it back."

—*Answers*

# Accounting forum

**An open clearing-house of ideas and news for credit executives by accountants.**

## Codes May Force Uniform Accounting

Development of uniform accounting methods by industry seems destined to receive renewed impetus under the national recovery program.

The National Industrial Recovery Act gives specific authority to the president to impose requirements for the making of reports and the keeping of accounts as a condition of his approval of any code of fair competition submitted in compliance with the law.

The Agricultural Adjustment Act permits the Secretary of Agriculture to prescribe the keeping of systems of accounts by processors, producers and others licensed to handle agricultural products under the measure.

Statements made by various government officials indicate a firm conviction that many unfair competitive practices, especially those relating to price-cutting, price-discrimination and rebating, have developed because business men have disregarded their costs. In many instances the lack of precise knowledge of costs of doing business had led to these conditions.

Codes of fair competition that were early submitted to the national administration take cognizance of the need for uniform methods of accounting and reporting.

As a result of the promotion of cost accounting by the Cotton Textile Institute, it has been estimated that more than 60 per cent of the mills are now reasonably well informed as to the costs of their various products. This is in sharp contrast with conditions prevailing in 1925, when not more than 26 per cent of the industry had adequate cost methods.

The need for accurate knowledge of cost and operating data has long been recognized as an essential prerequisite for eliminating unfair methods of competition involving price factors.

Experience has shown that selling goods below cost, or without regard to cost, often leads to indiscriminate price-cutting, to lowering of quality of product, to wage reductions and lowering of employment conditions and to loss of capital, it is pointed out by the Trade Association and Manufacturers departments of the United States Chamber of Commerce. Due to the existence of variations in methods of accounting and lack of adequate cost data application of corrective measures by individual establishments and by entire industries is hindered.

The first requirement is strict definition of terms; the second a prescribed method of allocating different elements of cost to the units, processes or services of which the cost is desired.

Certain general principles govern the determination of costs of products and services. Material costs, wages and overhead expenses must be recognized. Each of these three elements must be defined and proper procedure established.—*Finance and Industry.*

## Value of Assets in Bankruptcy

How will the figures shown on a debtor's statement stand the fire of a bankruptcy court. For example those items which set up a certain valuation on "good will," "patents," "accounts receivable," "notes receivable," and other similar items seem to represent a certain definite value on the statement. How will the credit man find his opinion on these points verified should the debtor get to the bankruptcy court? L. L. Briggs, associate professor of Economics, University of Vermont, writing in the August issue of *The Certified Public Accountant* reviews some of the court decisions in bankruptcy cases bearing upon valuation of assets. He says in part:

"The decisions involving valuation for the determination of insolvency make little or no distinction between accounts receivable and notes receivable, but treat them as claims on the part of the debtor against others. The judges have very little to say about disputed claims, in fact, some of them apparently avoid passing upon a seriously disputed claim. However, most agree with the court in Coyle v. McNeill (1922) 284 Fed. 298, that:

> "The fair value of a claim known to be subject to doubtful and extended litigation . . . is less than its face."

"If the claims are likely to be uncollectible, some courts have held that no value should be given to them while others have attached heavily discounted values to such claims.

"The alleged bankrupt's claims against others may be undisputed but their collection may be doubtful. In regard to this type of asset, the court in In re Cooper (1926) 12 F. (2d) 485 said:

> ". . . the test seems to be whether the claim is one that can be rendered available for the payment of debts within a reasonable time."

On the matter of valuation of inventories Professor Briggs says:

"Since inventories usually are the most important asset in small bankruptcies, the basis for valuing them is especially significant. Some courts have taken the basis of cost with a deduction for depreciation while others have allowed no deduction for depreciation.

"The courts are careful to examine the values given to inventories on the books of the debtor on account of the possibility of inflation. Book values and balance-sheet values generally are given weight when they tend to show that the debtor was insolvent and are disregarded when they indicate that he was solvent at the time of the alleged act of bankruptcy. However, book values favoring the bankrupt were given weight by the court in In re Doscher (1902) 9 Am. Bankr. Rep. 547.

"Most courts find goodwill to be nonexistent in business concerns on the verge of collapse, so the opinions give very little about the basis of valuation. In Fifth National Bank v. Lyttle (1918) 250 Fed. 361, the court found that a paint dealer who lost $71,000 in one year and was unable to to obtain credit from conservative companies had no goodwill. According to the court in Evans v. National Broadway Bank (1905) 96 N. Y. Supp. 789:

> "But what a business might be is not an element that we may consider in estimating the value of goodwill. Goodwill is something that has been created; not something which must be brought into existence."

"In Matter of International Mercantile Agency (1905) 13 Am. Bankr. Rep. 725, the court held that the amount of money spent to build up a business is not necessarily the value of its goodwill.

"Several dicta and at least one decision (Matter of International Mercantile

Agency (1905) 13 Am. Bankr. Rep. 725) agree that where goodwill exists it should be included among the alleged bankrupt's assets. Goodwill apparently was assumed to be an asset but its value was found to be negligible in Fifth National Bank v. Lyttle (1918) 250 Fed. 361.

"There are some decisions involving the valuation of patents, but they contain little about the valuation bases used by the courts."

## Rules for real estate appraisal

Rules covering what constitutes ethical conduct in the making of a real estate appraisal have been adopted by the American Institute of Real Estate Appraisers of the National Association of Real Estate Boards and are made public in the current issue of the Journal of the American Institute of Real Estate Appraisers.

The rules cut a clear line for the protection of the public against misleading appraisals, become a foundation statement for financing and investment. They are of particular interest in view of the emphasis placed on the appraiser's responsibility in the new Securities Act, and are of especial importance at this time because of changes now going on in conceptions of value, and in view of the expectation of eventual new construction to follow industrial advance.

## Problems of Business Recovery

(*Continued from page* 36) must begin with the fact that it is the first general economic crisis that has befallen the whole Western world since our machine economy has come to measurable maturity. It is not a matter of momentary maladjustment in any one section of the world. It is not a matter of momentary speculative mania having disrupted an otherwise statesmanlike and stable economic program. Momentary maladjustments, here and there and yonder, are in the picture. A Monte Carlo speculation has done its deadly work. Many political and purely monetary factors are involved in the prevailing sickness of our society.

Tentative and insecure phases of recovery may be brought about by various devices of political stimulation and monetary legerdemain, but, until this basic problem of the relation of popular buying power to the rapidity and volume of production under a machine economy is seen and solved by politico-economic leadership generally, we must resign ourselves to an increasingly serious economic insecurity, unless we want to take the only alternative road to a balanced economy in a machine age and deliberately reduce the scale of our industrial and agricultural enterprise.

There is nothing to be gained by beating about the bush. The entire economic order of the industrialized West has reached an impasse from which only the most clear-headed, creative, and courageous politico-economic leadership can extricate it.

I do not want to join the over-simplifiers, and bring a false clarity to a situation that is admittedly complex. It is not a simple sickness that has fallen upon us, and it will not yield to any simple and single remedy. A lush variety of causes lies at the root of our economic crisis; political unrest the world around; mounting armaments; speculative mania; abortive governmental attempts to stabilize certain commodity prices; the fall in the price of silver; provincialism of policy respecting foreign trade, tariffs, and the exploitation of the world's supply of natural resources; the direct impact of war debt payments upon Europe and the indirect impact upon the United States; the gravitation of an undue amount of the world's gold supply into French and American hands; and so on to the end of a long list I need not rehearse. Even a casual diagnosis of this depression compels us to consider all of these factors in addition to the obvious issues of wages, hours, prices, profits, technology, and management, as well as the deeper issues of security, leisure, and self-respect for the toiling millions.

To all these issues—and more—we must bring a clear-headed and courageous statesmanship. I do not, let me repeat, want to join the over-simplifiers. But, in any situation, however complex, there may be one factor more fundamental than the rest, so fundamental, indeed, that the presence of all other factors cannot compensate for its absence. Is there any single factor thus fundamental to economic recovery and stabilization? I think there is. And this is it: The leadership that has determined our policies for using goods and distributing wealth has proved inferior to the leadership that has developed our processes for making goods and producing wealth. The production of goods has halted because the distribution of goods has halted. And the halt in the distribution of goods is due to a fault in the distribution of wealth. Our machine order is ready to produce goods. Our economic order is not ready to produce customers.

To-day events are proving that a wider distribution of the national income is essential to the solvency and success of capitalistic industrialism itself, on the simple grounds that it is obviously self-defeating for the industrial system to get itself in position to produce vast quantities of goods unless, at the same time, it sees to it that there are vast masses of potential customers ready with money with which to buy and leisure in which to enjoy the goods the high-powered industrial machine produces. Unless we can bring millions upon millions of men and women into position to buy the lavish output of our industrial system, even our existing investment in its marvelous productive facilities will become a permanently frozen asset.

A too great concentration of wealth means money in the hands of those who will invest it in producer-goods. A wide distribution of wealth means money in the hands of those who will spend it for consumer-goods. And it is the absence of an adequate and dependable market for consumer-goods that is stalling our economic machine. This is not irresponsible soap-box doctrine. The plutocrat has an even greater stake than the (*Cont. on page* 47)

## Graphs Tell Essense Facts

(Cont. from page 26) the inspection of a representative number of 1932 annual corporation reports, interviews were had by the writer with executives of six representative corporations engaged in different lines of business, and with a staff engineer of wide experience with one of the oldest and best known firms of industrial engineers. These interviews developed a significant fact, i.e., those who were interviewed quite generally declared against the so-called "weighted" charts for presenting data to stockholders and the general public on the ground that the average person was unable to properly interpret them.

The technique of a chart is of no importance unless the information which it conveys is readily understood by those for whose benefit it is compiled. Especially would this be true where the charts were submitted in annual reports with the object of making their contents more interesting to stockholders.

Specific reference to the advantages to be derived from the adoption of the simpler forms of charts should not be construed as a recommendation for their adoption to the exclusion of the more advanced types. The kind of chart to be made in a particular case should be such as will give adequate expression to the information which is to be presented thereby.

While not all charts illustrate the speed and general efficiency of graphics as compared with figures, this point will be illustrated in a striking manner by comparing the time it takes to find the maximum and minimum amounts in a report of considerable size as compared with the same figures when plotted on a chart.

By correctly interpreting the results of business activity in the past, and at the present time, we may reasonably expect to use this knowledge to advantage for our future guidance. To those engaged in financial and commercial enterprises, accurate forecasting of the near future of business is very important, since it enables them to prepare for the coming of prosperous periods as well as for periods of depression.

Non-technical charts can be made of incalculable value to the average business man, whose training along practical lines makes him especially receptive to this method of fact presentation. Correctly prepared charts, showing sales and cost of sales, would indicate with certainty whether an existing sales policy would produce a profit or a loss. While such suggestion may appear a simple one, the large number of business failures emphasizes the need for a

ROBERT ATKINS, C. P. A.

clearer understanding of these two factors in every enterprise conducted for profit, and one of the surest ways of acquiring this knowledge is through the medium of graphic charts.

In his book on "Charts and Graphs" published in 1923, Karl G. Karsten made the following significant prophesy.

> "Few industries are planned with any long look into the future. If they were, we should scarcely have such violent ups and downs of production and trade, the booms and slumps, that bring such demoralization to industry and to profits, and so much needless suffering among the wage-earning population."
>
> "Some day we shall find a way around such stupidity, and it is my own belief that the most accessible avenue is through the grouping of the available data into interesting and well conceived charts. They are the most reliable and most stimulating instruments of education that we possess."

He also expressed the opinion that:

> "The day will come when no statistical compilation will be regarded as complete until it is illustrated with charts which present its major significance."

In an article entitled "Charting Business Procedure", published in *Executives Service Bulletin* in Jan., 1930, L. S. Hoover made the following significant comments, which (Cont. on page 47)

# Insurance digest

**Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.**

## Fire prevention week

Plans for a widespread observance of Fire Prevention Week having been made, the distribution of material by the National Board of Fire Underwriters is now well under way. The railroads, steamship lines and other common carriers are showing a lively interest in obtaining Fire Prevention Week posters, and the member companies of the National Board are planning active participation through their branch offices and representatives in the field.

Other industries are asked to cooperate, and suggested materials including posters and stickers are offered for their use. These, together with special material, if requested, may be obtained by writing to the offices of the National Board at 85 John Street, New York City; 222 West Adams Street, Chicago; and Merchants Exchange Building, San Francisco.

As readers of CREDIT AND FINANCIAL MANAGEMENT are aware, this contribution of the stock fire insurance companies, through their public service organization, the National Board of Fire Underwriters, is not a selfish one but one which benefits every citizen and every industry in America.

## Agents Liability to Assured Upheld

An agent or a broker, one who acts for an assured in obtaining coverage, must exercise reasonable diligence and have a fair knowledge of rates, forms and other features of his business, according to a recent decision of the District Court of Appeal of California. In the case of the Colpe Investment Co. against Seeley & Co., agents, the appeal court reversed a judgment of non-suit for the defendants and held that the case should be tried before a jury on the facts. The important point in the decision is that the court held that an agent or broker, who tells a client that he is competent to handle insurance problems, may be held legally liable for failure to act in a reasonably competent manner.

It was testified on behalf of the insured that the agency was employed, as alleged, to keep the property insured continuously up to 100% of the value, according to the August issue of Insurance Decisions of Indianapolis, published by R. M. Chandor, and that the agency was instructed that full coverage should be carried and that this should be procured upon the terms most favorable to the owners. Further, that whenever the policies were up for renewal, which happened annually, the insured and the agency would agree as to the correct value of the property for the purpose of fixing the amount of insurance. It was also testified by qualified experts that the practice of writing coinsurance was known to all brokers, who ought to advise their principals with reference to the effects thereof and also as to the discount allowed in such instances, and also the possibility of procuring a three-year coverage for an amount equal to double the annual premium.

This court said that the facts testified to were similar to those in Ferrar v. Western Assurance Co., 30 Cal. App. 489, 159 Pacific Reporter 609, 611, and that it was clear that the agency was acting as agent for the insured and its assignors in insuring their properties, and undertook to keep them insured from year to year, adding:

"Where such is the case, it is the duty of an agent to exercise good faith and reasonable diligence to procure insurance on the best terms he can obtain; and, if he is a professional agent, he should be required to exercise the particular skill reasonably to be expected of such an agent, and to have knowledge as to the different companies and terms available with respect to the commission assumed by him. Whether he has so acted is generally a question for the jury."—*The Eastern Underwriter.*

### Bankers study fire insurance companies

Interviews conducted by the *American Bankers Association Journal* reveal that bankers now are studying carefully the records and financial standings of fire insurance companies and are taking steps to be better posted.

"Some of them", the *Journal* points out, "are studying the insurance already in force to eliminate weak companies and weak policies and to keep the amounts of the policies in line with property values. Others are installing adequate insurance record systems, or improving those already in use. And not a few banks and mortgage companies are making personnel replacements to bring more experienced insurance and real estate men into their organizations to strengthen those departments.

"Queried for the facts to be considered in the purchase or acceptance of fire insurance protection, the insurance department manager of one large bank offered the following:

"1. *Is the company conservatively managed*—(a) as to territory, (b) as to the volume of business in proportion to net resources, (c) as to investment policy, (d) as to the selection, type and geographic location of risks, (e) as to economy of expenses?

"2. *Does the policy afford adequate protection*—(a) as to the company insuring, (b) as to the coverage obtained, (c) as to replacement value under average clause (80, 90 or 100 per cent), (d) as to extra hazards, (e) as to the mortgagee clause if the property is mortgaged?

"3. *What should be looked for in the analysis of the state-* (Cont. on page 44)

# Answers to credit  questions

## Conducted by E. B. Moran

**The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest are printed regularly in Credit and Financial Management. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.**

### Garnishments of Drawing Accounts

Q. *Under the laws of the State of New York, can drawing accounts be garnished?*

A. The Civil Practice Act of New York, (Section 684), provides for the garnishments of drawing accounts. This section was recently interpreted by the Appellate Division of New York to apply only to drawing accounts advanced as wages and not to drawing accounts under which the judgment debtor was obligated by specific agreement to repay to his employer the excess advanced over the commissions earned. (Franklin Simon & Co. vs. Pease & Elliman, Inc. N. Y. App. Div. June 20, 1933.)

### Claims

Q. *A manufacturer in Michigan, prior to the National Bank Holiday makes a sight draft attached to bill of lading shipment to a customer in Massachusetts. The draft of the manufacturer contains the following qualifying phrase in rubber stamp over the signature on the draft "For collection and transmission to us. Not to be co-mingled with bank funds". The customer pays the draft and the shipment is released to him by the bank which in turn issues to the manufacturer a New York draft. Before the manufacturer can collect on the draft the National Bank Holiday is in effect and the Massachusetts bank issuing the draft subsequently fails to reopen. It is not known whether the assets of the bank were augmented by the drawee paying the draft or not. Has the Michigan manufacturer a preferred claim against the bank?*

A. Whether or not the Michigan manufacturer has a preferred claim against the bank under the circumstances stated depends upon the law of Massachusetts. On principle, it would seem clear that the relationship of the bank to the Michigan corporation was that of bailee and bailor, and that the bank did not have title to the proceeds of the draft. In an appropriate proceeding brought against the bank or its conservator, it should be possible to obtain an order directing that the funds be paid over to the manufacturer.

### Notes

Q. *Where a corporation's note is endorsed by two endorsers and the corporation goes into bankruptcy, is it possible for the payee or holder of the note to proceed at once against the endorsers, or is he compelled by law to first exhaust his claim against the bankrupt concern?*

A. Under the circumstances mentioned, the payee or holder of the note may commence action against the endorsers without first exhausting his remedy against the corporation. In the event that the holder or payee collects from the endorsers, the endorsers are subrogated to the rights of the payee or holder to file a claim against the bankrupt estate.

### Bankruptcy

Q. *Can an agreement by judgment debtor to omit judgment from schedules in a voluntary petition in bankruptcy be enforced?*

A. An agreement of a judgment debtor made before filing his schedule of debts in bankruptcy that he would not include therein a judgment against him is unenforceable and violates Section 17 of the Bankruptcy Act which provides that a discharge in bankruptcy shall release the bankrupt from all his provable debts. (Max Weitzen, bankrupt, U. S. Dist. Ct. of N. Y., May 2, 1933.)

### Workman's Compensation

Q. *Is the employer responsible in the case of injury or death of an employee who, living on premises of employment, is injured or killed in premises occupied as his place of abode at a time when not engaged in the work of the employer?*

A. A very recent decision of the (Court of Appeals of New York in the case of Pisko v. Mintz) probably covers this question thoroughly in which it was decided that when a janitor in an apartment house, by terms of his employment, is required to sleep in the building in which he is employed and as a part of his compensation is provided with an apartment there, the employer is not responsible for the death of the janitor which is caused by a fire in the bed in which he was sleeping when it appeared that the fire was the result of some act of the janitor.

### Landlord and Tenant

Q. *Which takes precedence, typewritten or printed portions of a lease?*

A. There is a general rule of law pertaining to all legal documents to the effect that when there is a dispute between the written or typewritten and printed portions of the instrument, the writing or typewriting governs. This rule last found expression with reference to leases in the case of Comprecht v. Dunleer Co., in which the Court of Appeals of Maryland said, "When there is an irreconcilable conflict between the written and typewritten portions of a lease, the typewritten portion controls.

### Insurance

Q. *As a general rule does false testimony as to the amount of damages caused by fire constitute fraud and void a policy?*

A. No. Such testimony affects only the amount of damages recoverable on the policy. Thus, where a policy-holder wilfully padded his claim in filing proof of loss, the court held that this was not fraud sufficient to invalidate the policy, but that all the plaintiff could recover was indemnity for the actual loss. (Halbreich v. Travelers Fire Insurance Company, New York Appellate Division, March 2, 1933).

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The hardest thing in the world is to look busy and important when you're not.

When we're right we credit our judgment; when we're wrong we curse our luck.

Beware of the man who wants to make you rich but is broke himself.

## Bankers Study Fire Insurance Companies

(*Cont. from p. 43*) *ment?* (a) Liquidity and character of investments, with special attention to common stocks and real estate holdings. (b) Comparison of gains with stockholders' equity, and comparison of profit and loss with earned premiums in the underwriting exhibit. (c) Ascertain if the loss and expense ratios are normal. (d) Compare the relation of capital and surplus to the estimated cost of re-insuring or carrying to expiration the business in force, and to undischarged liabilities. (e) The adequacy of reserves to provide payment of undischarged liabilities. (f) The ratios of losses and expenses to premiums."

### New burglary restrictions

Because many banks are depending too much on burglary insurance, especially those in smaller communities, "The Budget" of the Maryland Casualty Co. declares that new restrictions in burglary policies are justified.

"The new plan makes it mandatory on all banks to protect the money in one of several ways or if they cannot or will not comply with the reasonable regulations, to pay an additional premium which is hoped will relieve the situation.

"The states affected are Alabama, Arizona, Arkansas, California, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Mexico, North Dakota, Ohio, Oklahoma, South Dakota, Tennessee and Wisconsin. It is in these states that the losses have been extremely high and it is hoped that under the new plan the banks will realize the importance of protecting their funds, thus reducing the losses and eventually securing a reduction in premium rates when the experience justifies. The endorsement reads as follows:

"It is hereby agreed that the Company's liability for loss of money as insured under Paragraph II of the Policy of which this endorsement forms a part is limited to fifteen percentum (15%) of the amount of insurance applicable under said Paragraph II as specified in Section (i) of Condition R of said Policy, if loss thereof is occasioned by robbery as defined in the Policy, when such property is located within the Assured's premises but not within a vault, safe, chest, or similar receptacle locked by time lock at the beginning of such robbery, provided that the foregoing limitation shall not apply to such a loss:"

# Court decisions

CLAIMS FOR FUTURE RENT. WHETHER ALLOWABLE. (N. Y.) Petition to review order of referee disallowing claim for $674,-860.40 filed by the bankrupt's landlords, Sibyl B. Wright et al. The claim which has been disallowed contains two items of which one for $641,541 is for future rent accruing after the filing of the petition in bankruptcy which is sought to be liquidated in that amount.

*Held* that the case of Roth & Appel, 181 Fed. 667, requires the disallowance of this unless it has been overruled by Maynard v. Elliott, 283 U. S. 273, or the law in this regard has been changed by Congress in the Act of March 3, 1933, Sec. 74 (a). Without extended discussion it must suffice for present purposes to say that the rule enunciated in re Roth & Appel has not been judicially abandoned and that the provision of the statute cited is applicable only to the proceedings authorized by that statute and not to general bankruptcy proceedings. The second item, for $33,319.40, presents a much more difficult question. The lease which was for fifty years from August 1, 1934 to August 1, 1984, was executed and delivered on June 30, 1928. It provides not only for a net rental of $75,000 a year and the payment of taxes, etc., as additional rent, but also for the payment of $20,000 a year from the date of execution of the lease to the date of commencement of term, a period of approximately six years. At the time of filing petition, September 30, 1932, there remained unpaid and not yet due $35,000, which according to the lease was payable before commencement of the term. It is this sum which liquidated at $33,319.40 constitutes the second item in the claim. This is not provable if it is in the nature of advance rent, that is, if the consideration for it is the future use and enjoyment of the premises or the advantage of having such use kept secure for the lessee. On the other hand, it is provable if the consideration for it was the making of the lease by claimant, that is, the mere grant of the leasehold estate. The nature of the promise to pay depends upon the intention of the parties, which must be determined from the lease and the surrounding circumstances. At the time the lease was made there was another tenant in possession under a lease which was to expire on August 1, 1934, when the bankrupt's term was to commence. The bankrupt's lease provided that if the lessors acquired possession upon any termination of the prior lease before August 1, 1934, they were to give the bankrupt sixty days' notice and at the expiration of that period the latter's term would begin and its obligation to pay the stipulated rent would be substituted for its obligation to make further payments on the annual sum of $20,000. This introduced a conditional element into bankrupt's liability and, though it may not in itself be conclusive, it is a circumstance bearing upon the mutual intention of the parties as to the consideration for the promise to pay the $20,000 a year before commencement of the term. The lease provides that until August 1, 1934 the lessors shall keep the building insured for at least $75,000 which would be applicable to the cost of restoration in case of fire before commencement of the bankrupt's term. Under all the circumstances, it seems to the court that the parties did not intend the consideration for the promise to pay the annual sum of $20,000 to be merely the making of the lease and the grant of the term; but that the lessors' duty to maintain throughout the period the advantage to the bankrupt of having the future leasehold estate was part at least of the consideration. There was a contingent element in bankrupt's liability which bars the claim as in the case of future rents. Order of referee affirmed and petition denied. *Matter of Outfitters* Operating Realty Co., Inc. (Delaware). U. S. Dist. Ct., South Dist. of N. Y. Decided July 20, 1933. Requisition No. 95939.

RENTAL FOR OCCUPATION BY RECEIVER. BANKRUPT'S OWNERSHIP OF ALL THE STOCK OF LANDLORD CORPORATION. EFFECT. (N. Y.) This is a petition by the Irving Trust Company, as trustee in bankruptcy, to review the order of Referee Stephenson granting the petition of the 409-11-13 Lafayette Street Corporation, for an allowance of $2,750, as consideration for the use and occupation of the premises at 409-11-13 Lafayette Street by Irving Trust Company, as receiver, from January 28, 1932 to March 1, 1932. The trustee objected to the allowance of any sum for such use and occupancy on the ground that all of the stock of the 409-11-13 Lafayette Street Corporation, the landlord, was owned by the bankrupt tenant, that all of the assets of the bankrupt were purchased by one Guilden, who transferred them to the new Horsman Corporation, the present owner of the Lafayette Street Corporation, and that to allow the claim for $2,750 would, in effect, reimburse the purchaser for part of the sum he expended in purchasing the assets of the bankrupt.

*Held* that the contention here advanced by the trustee is that the usual rule is not applicable to this case, inasmuch as the present landlord is a corporation that was wholly owned by the bankrupt tenant. This of itself is not sufficient reason to exempt the receiver from liability for rent. The corporate fiction cannot be disregarded merely because the stock of one corporation is owned entirely by another, where there is no showing of fraud, or of a disregard of the corporate entities by the parties themselves. The device of a separate corporation to hold and manage the real estate upon which the bankrupt conducted a doll manufacturing business appears to be entirely legitimate. The bankrupt and its subsidiary appear to have conducted their businesses as distinct corporate entities, and this distinction will not now be over-ridden. There is no doubt that the location of the bankrupt's physical assets on the premises contributed to their value at the sale. Bidder knew they would not have to undergo the expense of transporting them from another place. The estate, having received the benefit of this location value, it seems but equitable that it should bear the reasonable expense of allowing the property to remain where it was found and retained. Granting that the Lafayette Street Corporation was benefited by such occupancy, the subsidiary's claim for reasonable rental value is not thereby destroyed. Such circumstance is merely a factor to be considered in arriving at the conclusion as to what should be finally awarded to the subsidiary on the claim asserted. The Referee very properly afforded the Trustee an opportunity to assert a counterclaim upon this basis, and to show what was the value to the Lafayette Street Corporation of the receiver's occupancy. The trustee, however, failed to take advantage of this opportunity. As the record now stands, the trustee is liable for $2,750, the rent stipulated in the lease, which is presumptively taken as the reasonable rental value of the premises. But, inasmuch as the trustee failed to offer evidence with regard to the reasonable rental value of the premises, or relating to the value of the receiver's occupancy to the landlord, the Lafayette Street Corporation, the court will afford him an opportunity to do so. The conclusions of the Referee upon the present state of the record are correct, but the order will be modified so as to permit the trustee to submit further evidence, in accordance with this opinion. *Matter of E. I. Horsman Co., Inc.* U. S. Dist. Ct., So. Dist. of N. Y. Decided July 18, 1933. Requisition No. 81510.

CLAIM OF LESSOR. DAMAGES FOR BREACH OF COVENANT TO RESTORE PROPERTY TO ORIGINAL CONDITION. ALLOWANCE OF CLAIM. (N. Y.) These are consolidated appeals from two orders disallowing claims filed against Metropolitan Chain Stores, Inc., Bankrupt. Each claim was for damages for breach of a covenant to restore leased premises to their original condition. On motion of Irving Trust Company, the trustee in bankruptcy, the referee disallowed the claim on the ground that it appeared on its face to be contingent and nonprovable. The district court affirmed the orders of the referee, and the respective claimants have appealed. The leases are identical in terms. That held by the First National Bank of Canton provides that the lessee could alter the premises and that at the termination of the lease or any expiration or renewal thereof, the lessee would restore the premises to their former condition unless directed not to do so by the lessor. Article XIII, of the lease provides that the lessor could re-enter on ten days' notice if the conditions were breached or could recover damages for a breach by the lessee without forfeiture of the lease, and provides that the lease "shall become null and void and be at an end at the election of the Lessor" in the event of bankruptcy and "in the event that on demand in writing by Lessor" the trustee does not pay the rent due within 24 hours. The appellee Irving Trust Company asserts that appellants' claims do not sufficiently show an exercise of the option to terminate the lease.

*Held* that the right to file a claim should not turn upon the interpretation of the words of the option provision of the lease as providing for termination coincident with or subsequent to bankruptcy. If the election is seasonably asserted, coincident with or subsequent to the petition in bankruptcy, the court's decision should rest upon the character of the claim, that is, the promise to restore the premises as at the time of bankruptcy, even though the option be considered as exercised upon the trustee's refusal to pay rent after bankruptcy. Covenants in leases to restore property pending termination or expiration have been held the basis of claims provable in bankruptcy on the theory that these covenants were separable from promises to pay future rents and were fixed and absolute. The claim is unlike unaccrued rents and the very technical and undesirable rule of having the question turn on whether the claim accrued on the day when the petition was filed or a few days later should be avoided. Decree reversed. *Matter of Metropolitan Chain Stores Co., Inc.* (*First Nat'l Bank of Canton, Ohio v. Irving Trust Co.; Kolp et al.*) U. S. C. C. A., 2nd Cir. (N. Y.) Decided July 17, 1933 Requisition No. 95731.

CLAIMS. PROVABILITY. (N. Y.) *Held* that the referee was right in expunging the original and amended claims of the Swedish Match Company. The Diamond Match, Ohio Match and Garanta items (Items A, B and E) are pure tort claims, and not provable. Furthermore, the Ohio Match item does not belong to the claimant. The same is true, also, of the Hartford-Mexican item (Item C) which has

already been proved by the real owner; and the Swedish Match Company has brought itself within the provisions of 57-i of the Bankruptcy Act with respect to the item. The Continental item (Item D) is alleged to be "based upon an account stated" between the bankrupt and the claimant; yet the item has none of the elements of an account stated. It is also alleged that the "current account" of the Continental Company shows a balance in favor of the claimant of 137,242,293.45 Swiss francs, or 26,688,136.38 dollars; for which the bankrupt is "Secondarily liable", because the Continental Company is "insolvent", and "a wholly owned subsidiary", and "acted as the agent in Europe" of the bankrupt. There is, however, no allegation that the bankrupt owes the claimant anything on the account; and it is difficult to see how a credit balance appearing on the books of the Continental Company in favor of the claimant can of itself fasten liability on the bankrupt. It is insisted, though, that the Diamond Match and Ohio Match items (Items A and B) are provable on the theory of quasi contract; and that, undoubtedly, is true with respect to the Diamond Match item (Item A). The claimant, however, has not chosen to prove on contract; but on the contrary has alleged specifically that it has brought suit in the State court against various banks for conversion of the identical stock stated to have been misappropriated by the bankrupt, and that its claim is without prejudice to its rights in the State court litigation. It can hardly be seriously contended, therefore, that the claimant has waived the tort in the misappropriation of the stock, which is a prerequisite of its claim on contract. In the case at bar, the question is not whether the commencement of the State court suit constituted a binding election, but whether the Diamond Match claim, in the form presented, is a claim for a pure tort, and, therefore, not provable, or whether it is a claim on contract; and the court thinks the Referee was right in holding that it was a pure tort claim, particularly in the absence of something showing affirmatively that the claimant had waived the tort and elected to proceed in contract. Petition to review denied, and the Referee's order affirmed. *Matter of International Match Corporation.* U. S. Dist. Ct., So. Dist. of N. Y. Decided July 10, 1933. Requisition No. 94381.

CARRIER SYSTEM. CONDITIONAL SALE TO CORPORATION. BANKRUPTCY. SALE OF ASSETS. CLAIM OF CREDITOR AGAINST BANKRUPT ESTATE OF PURCHASER. (OHIO). An Ohio corporation, under the name of Armbruster's, Inc., conducting a department store in Columbus, purchased from the appellant a carrier system under a conditional sales contract, not recorded as required by Section 8568, Ohio General Code. Later receivers were appointed for the corporation who took possession of all of the assets, including the carrier system covered by the contract. An offer was made to the receivers by the principal stockholders of the corporation on behalf of a new corporation to be formed by them to purchase all of the assets of Armbruster's, Inc., for an amount sufficient to pay all creditors 25% of their claims in cash, and expenses of administration. They also offered to cause to be issued by Armbruster's, Inc., to its creditors notes for the balance of their claims, to be secured by all of the capital stock of the new corporation, except qualifying shares, to be pledged with the old company. The court authorized the acceptance, and entered an order of confirmation which, among other things, provided that the purchasers should assume all chattel mortgage indebtedness on the legally recorded mortgages on the fixtures ordered sold. The appellant accepted 25% of its claim in cash and five notes each for 15% of the balance. In 1931 The Armbruster Store Company was adjudicated a bankrupt, and the appellee became trustee of its estate. The notes given to appellant by the old corporation not having been paid, the appellant filed its claim thereon against the bankrupt estate.

*Held* that appellant is not a creditor of the new company. There was here no general assumption of liability on the part of the new corporation. The appellant did not have a chattel mortgage upon any of the store fixtures of the old company, and it is conceded that such instrument as it did possess was not recorded. To now permit the creditors of the old company to share in the estate of the new corporation would be disregarding the corporate form to promote rather than prevent injustice. The order disallowing appellant's claim is affirmed. *Lamson Company, Inc. v. Ingalls.* U. S. C. C. A., 6th Cir. (Ohio). Decided June 29, 1933. Requisition No. 94732.

JUDGMENT. EXECUTION LEVY. LIEN. WHETHER ENTITLED TO PREFERENCE OVER PRIORITY WAGE CLAIMS. (PENNA.) On March 21, 1929, appellant Minnich, entered a judgment against the King Motor Company in the Court of Common Pleas of Bedford County. On March 26, 1929, he caused execution to be issued upon the judgment. On March 27, 1929, the sheriff levied upon the personal property of the King Motor Company and endorsed his levy upon the writ. On April 15, 1929, the sheriff returned "goods on hand not sold". On April 18, 1929, appellant caused a writ of vend. ex. to be issued; on September 4, 1929, an alias writ of vend. ex.; and on November 14, 1929, January 22, 1930, and April 30, 1930, pluries writs of vend. ex. Each of these writs was returned by the sheriff, either with the endorsement "goods on hand not sold, writ not executed for want of time", or "goods on hand not sold". On August 21, 1930, appellant instructed the sheriff to advertise the goods of the King Motor Company for sale and to sell same immediately. On August 25, 1930, a receiver in equity was appointed for the King Motor Company by the Court of Common Pleas of Bedford County. The sheriff advertised on August 29, 1930. On August 30, 1930, an involuntary petition in bankruptcy was filed against the King Motor Company which was adjudged a bankrupt on September 19, 1930, and a trustee in bankruptcy appointed. Written notice was given to the trustee that appellant had a lien upon the personal property of the King Motor Company because of the levy of March 27, 1929. All of the personal property of the company was sold. It was agreed by the trustee and appellant that fifty per cent of the proceeds of the sale represented the value of the property which had been levied upon by appellant. The referee awarded this sum to appellant as a lienor. Upon the referee's certificate for review, the District Court decreed that the writs of execution did not entitle appellant to valid liens against the fund nor to any distribution in preference to the priority wage claims. No opinion was filed by the District Court.

*Held* that "the rule is well established that an execution which is not put in the sheriff's hands with the bona fide intention of collecting the debt, but merely to be held as a security, or to prevent other creditors from coming upon the debtor's goods, is fraudulent as to them, and will be postponed to subsequent levies". A lien claimant undoubtedly is entitled to rebutt the presumption of want of good faith. Under the facts, the court reaches the conclusion that appellant, the lien claimant here, made his levy solely for the purpose of acquiring a lien and without a genuine intention of proceeding promptly for the collection of his debt. He postponed all action until such time as the debtor was obviously insolvent and within four months of the bankruptcy. He has not met the test of good faith and has therefore failed to establish liens upon the fund. Decree affirmed. *Minnich v. Gardner et al.* U. S. C. C. A., 3rd Cir. (Penna.) Decided July 12, 1933. Requisition No. 95223.

## Problems of Business Recovery

(*Cont. from p.* 41) proletarian in the widest feasible distribution of the national income as a result of a statesmanlike balancing of the factors of wages, hours, prices, profits, and so on, to the end that, in the very process of producing wealth, industry will be making its market while it is making its goods.

We have no right to consider slowing down production until we have fully explored the possibilities of speeding up consumption. Until legitimate human need is served and saturated, a wholesale restriction of production is a confession that our capacity for economic statesmanship has gone bankrupt. What will be the judgment of the future upon our genius if, after elaborating a machine economy capable of putting an end to drudgery, poverty, and insecurity, we say, "Now that we have sharpened this tool, we must dull its edge; now that we have perfected this swift efficiency, we must throw on the brakes!"

## Graphs tell Essense facts

(*Continued from page* 42) are especially appropriate at this time:

> "This is an era of keen competition in manufacturing and distribution. Never in the history of business has factual information on production operations and marketing potentialities been more essential to success. Thousands of manufacturing concerns, large and small, might have been saved from going on the rocks if accurate charts had been employed by the men at the helm—if warning signals had been set, recognized and heeded. And many manufacturers would be on the highroad to success today if the trends of production and marketing had been followed."

The writer ventures the prediction that there will come a time when the annual reports of a great majority of our large corporations will contain interesting and well devised charts to supplement the data contained therein. There is no better way of securing the readers' interest, and thereby insuring a more comprehensive understanding of the contents of such reports, than through this medium.

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A lot of people who belong to exclusive clubs can't afford to eat in 'em.